MANUFACTURING — GENERAL
1983
JAN — DEC.

Cape companies' market value tops R4-billion

Bus Argus 8/1/83

180

THE TOTAL market value of Cape Town companies quoted on the Johannesburg Stock Exchange has risen 25 percent in the past year to R4,01-billion.

By GERALD PROSALENDIS

At the end of 1981 the total value was R3,21-billion

Based on their current market value Cape Town's 10 top companies are

Rembrandt group — R1,76-billion

Pick 'n Pay group — R472,14-million

Woolworths-Truworths group — R341,21-million

Cape Wine and Distillers — R238-million

South African Marine Corporation — R230 3-million

Picbel group — R115,44-million

Foschini — R104,76-million

I & J — R86,8-million

Clicks Stores — R75-million

Anchusa Holdings — R66,9-million

Largest increase

The company with the largest increase in market value over the past year was I & J It grew by 63,1 percent to R86,8-million from R53,2-million

I & J's share price rose to 310c at the end of last year from 190c at the end of 1981

It was followed by the giant multinational Rembrandt group which showed a phenomenal 61 8 percent increase in market value to R1,76-billion from R1,08-billion

The individual company's in the group showed the following share price increases from the end of 1981 to the end of last year

Rembrandt Controlling Investments — 805c to 1300c

Rembrandt Group — 1140c to 1875c

Technical Investment Corporation — 680c to 1050c

Technical and Industrial Investments — 675c to 1050c

This means the group's shares quoted on the JSE have risen in value by R673,05-million, an increase that is almost double the next largest Cape Town company's total market value

The group's current market value represents 43,9 percent of the market value of all Cape Town firms quoted on the JSE

Lamberts Bay showed an increase in market value of 27,2 percent to R29,78-million from R23,40-million The company's share price rose to 350c from 275c

Anchusa Holdings increased 26,9 percent to R66,9-million from R52,73-million

Clicks increased 25 percent to R75-million from R60-million

The Rex Trueform group was up 21,7 percent, followed closely by the Pick 'n Pay group with 21,6 percent

As expected

Cape Town stockbrokers say the increase in market value of local companies was roughly what had been expected given the strong industrial market of the past six months

The rise was in line with the overall rise in market values on the JSE

Some companies, such as Rembrandt and Pick 'n Pay performed exceptionally well last year with rises well above average

Brokers differ on what to expect for 1983 though

Some think prospects for further growth are good and there could be another increase of 25 percent or even more this year

This depends largely on the gold price and the ability of industrial companies to attract the large amount of money still outside the market, they say

Others are more cautious, predicting a rise of up to 15 percent or less

● See full table of Cape companies on Page 2.

NOTE CAREFULLY

1 Enter at the top of each page and in … of the block on this cover the numb… question you are answering

2 Blue or black ink must be used fo… answers The use of a ball point pen … able Red or green ink may be use… underlining, emphasis or for diag… which pencil may also be used

3 Names must be printed on each sep… (e g graph paper) where sheets additional to … examination book(s) are used

4 Do not write in the left hand margin

…oks, notes, pieces of paper or other mate… …ay be brought into the examination room …s candidates are so instructed

…dates are not to communicate with other …dates or with any person except the invi…

…rt of an answer book is to be torn out

…swer books must be handed to the com…ner or to an invigilator before leaving the examination

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

Survey shows why W Cape's growth lags

Bus Argus 15/1/83

180

REASONS why the Western Cape's economic growth is lagging behind that of other major industrial areas in South Africa while its population is increasing rapidly are given in a new survey.

By GERALD PROSALENDIS

The survey was undertaken by the Institute for Cartographic Analysis at Stellenbosch University.

Conducted over two years, it was aimed at assessing the benefits and drawbacks of siting businesses and factories in the Western Cape

It was also intended to meet the urgent need for information on industrial linkages by planners and decision-makers

Questionaires were sent to industrialists throughout the Western Cape

A significant group of industrialists perceived the Western Cape as an area of shrinking markets, uncertainty and high risk

Their replies suggest there is a danger of the Cape becoming more isolated from the major areas of economic activity in South Africa

Prohibitive transport costs feature prominently as the major drawback and could cut the area off from much needed injection of capital for economic development

Stagnation

This could lead to long-term stagnation

To maintain its present standard of living, level of services and competitiveness as a manufacturing region, the Western Cape will have to reverse the trend towards a decline in economic growth country

This could be done by stepping up labour productivity and boosting exports of high-unit-cost, low-weight goods — such as electronics.

It would also be necessary to press for lower transport rates to overcome the disadvantage of being remote from South Africa's major economic region

The survey showed that 23,9 percent of those interviewed found the biggest drawbacks of being situated in Cape Town, were the distance from the Witwatersrand market, the high cost of transporting goods to this market and of communicating with remote clients

Another 20,3 percent said it was the high cost in terms of time and money of transporting to the Cape materials needed for production

The high cost of distributing semi-processed and finished products to the distant markets was the most important drawback to 17,1 percent

Benefits

The biggest disadvantage to 10,6 percent was the small buying power and potential of the shrinking Western Cape market.

To 5,8 percent, it was the high cost of inefficient, unreliable labour that was most prohibitive

These said the labour force was unstable, limited in supply, unwilling to perform heavy manual work and had a high rate of absenteeism

Other drawbacks which were important were the high proportion of materials not available locally (4,8 percent), restrictions on employing blacks (4,5 percent) and the high cost of electricity, water, coal and transport (4,2 percent)

Near suppliers

The most important benefit for industries sited in the Western Cape, said 24,1 percent of those interviewed, was easy access to the Peninsula market

They were followed closely by 23,2 percent who said the Western Cape's labour force — which was established, stable, relatively low cost and skilled — was the most important reason for establishing plants in the area

Access to the broader Western Cape market area was the most important benefit to 12,4 percent interviewed

The need to be near local suppliers for better contact in business, convenience, flexibility and lower transport costs was seen as most important by 6,6 percent.

Another 6,6 percent said specific materials which were cheaply and easily obtainable in the Western Cape in comparison with elsewhere were most important

The quality of life, pleasant environment and appeal of the area

Continued on Page 3.

P.T.O

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Comment
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W Cape growth lags

From Page 1.

for attracting overseas technicians was the most important benefit to 6,3 percent

Further down the scale, 5,6 percent said it was nearness to harbour facilities for exports and 3,1 percent said the good transport and communications links were the prime factor.

The figures suggest many industrialists think it important to be near the Peninsula and broader Western Cape markets and also that links with local suppliers and local materials are prime factors.

The tables supplied by the survey suggest that smaller businesses tend to be tied to the Western Cape and its market area.

Of these 25,9 percent said they found it their greatest locational benefit and a futher 12,2 percent were attracted by the quality of life.

Larger businesses were more attracted by the Cape's supply of labour (28,6 percent).

The biggest drawback to 14,9 percent of smaller firms was the high cost of transporting materials needed for production. These firms are not able to take advantage of economies of scale because of the relatively small amounts of materials needed

Larger firms, on the other hand, found the high cost of transporting products to markets more prohibitive. They are more tied to the need to export products to other regions and are not able to offload all their goods on the relatively small market here

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P82/250

Böhning, W.R.
International contract migration in the light of ILO instruments, with special reference to Asian migrant sending countries. Geneva, International Labour Office, 1982.

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304.8 DEWA

~~Urban communit-~~
~~Urbanization~~
~~Resettlement~~

Dewar, D., Todes, A., and Watson, V.
Theories of urbanization and national settlement in South Africa. Project report. Cape Town, Urban Problems Research Unit, 1982

4

Mayor offended by reference to Karoo town

(180)

E. Post 29/1/83

SIR — It was with a reasonable measure of disappointment, if not disgust, that I read the article "His Joystick is a Paintbrush" by Mr Robin Parker in Family Post of January 8

The only cause for my unhappiness can be found in the second introductory paragraph of an otherwise excellent contribution on the artist, Tiro Vorster

The first paragraph makes specific mention of the small town of Middelburg which for obvious reasons I will and cannot deny

The second paragraph, however, I can only describe as derogatory and a reflection of absolute ignorance on the side of your reporter It furthermore displays unconcealed reluctance on his side to verify his information

Although my comments are somewhat delayed, I nevertheless feel at liberty to enclose a brochure containing some relevant information on Middelburg Since its appearance further developments have taken place, which I may mention briefly

1 — The textile factory which is listed on Page 1 has since been expanded another five times and is presently employing more than 600 people Further negotiations are under way for another substantial expansion in order to accommodate an additional branch of activities

2 — A large co-operative undertaking supplying farm implements and other requirements in the entire Eastern Cape and

'Pretty, but not much happens'

Karoo areas has transferred all its facilities including the regional head office to Middelburg

3 — Another co-operative firm is at present busy completing its facilities in the industrial area

I am not going to bore you with changes and developments of lesser extent but I do wish to extend a friendly invitation to Mr Parker to pay a visit to Middelburg, Cape, to aquaint himself with the true situation

Finally, on behalf of Middelburg and my council, I wish to convey to you and your staff our best wishes for 1983

Dr E M VAN TONDER
Mayor

Middelburg

● *The Editor comments For readers who are wondering what the offending paragraph said, here it is.*

"Not much happens in Middelburg, and although it is a pretty little Karoo town, it does not have much more than its agricultural value to offer"

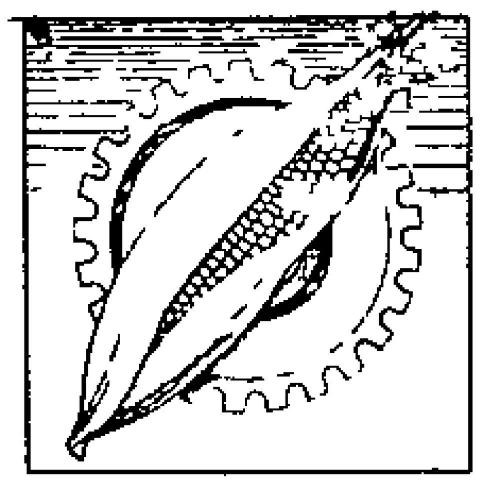
Robin Parker meant no offence, and the Mayor's point is well taken

Weekend Post heartily reciprocates Middelburg's good wishes.

PROTECTION 23 maize 215 180

The mealie factor

FM 4/2/83



There is growing unease among some large manufacturers. It contrasts with the confidence of the last two decades when, behind the barriers of government protection, local industry blossomed and enjoyed prosperity equalled in few other parts of the world

Behind the new mood is government's reassessment of some protectionist policies Protected manufacturers fear that it could lead to greater exposure to competition from abroad

There are many factors behind the reassessment One is the perceived futility and high costs of attempting to make the country self-sufficient in too many manufactured goods Another is the realisation of the need to stimulate rather than reduce the country's two-way foreign trade (See *FM* November 12)

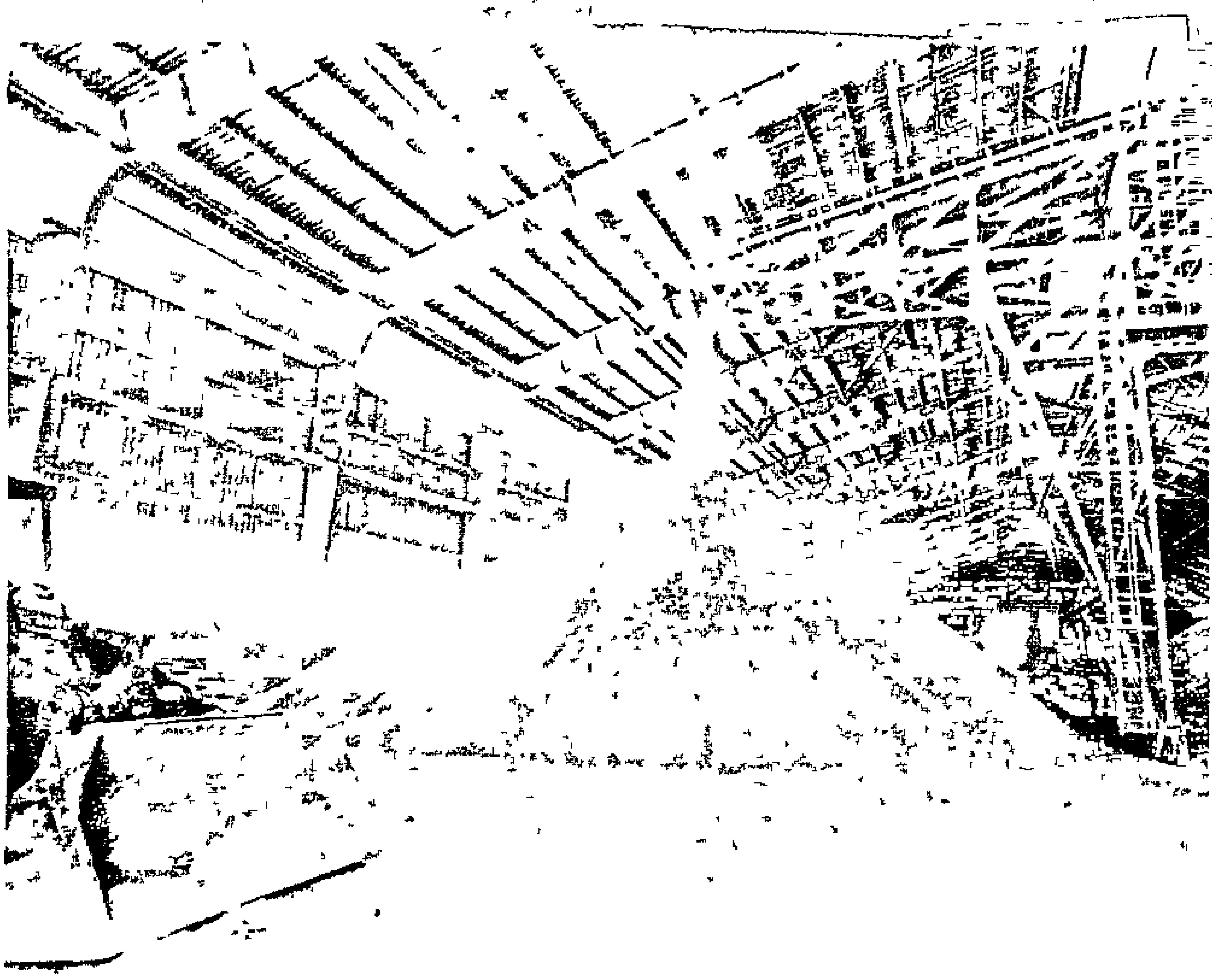
The catalyst in a new industrialisation policy could be the country's maize farmers Members of this politically powerful lobby are in a corner largely because of government's industrial protection policies

Through their representative body, the National Maize Producers' Organisation (Nampo), they argue that a major reason why SA maize cannot be sold at a profit on world markets is that farmers are obliged to pay inflated prices for items such as weed-killers, insecticides, fertilisers, bags, fuel and tractors produced by protected local manufacturers

These higher prices, says Nampo, are in effect subsidies to local industry It contends that if government sees fit to support artificially certain industries, it should do so directly through the Exchequer and not through inflationary import tariffs It estimates that protection of the industries producing all farming inputs, excluding fuel, costs the maize farmers an additional R147m/year or 11% of their production costs

Nampo wants a new deal In return for the removal of all protective tariffs and import controls on its inputs, it is prepared to forgo existing protection measures against imported maize

Of course, Nampo realises that the removal of all protection could mean severe hardship to, even closure of, some manufacturers, who together represent an enormous capital investment Therefore, it suggests that government keep alive those industries worthy of protection through a system of production subsidies which would place locally-made goods on a price parity with imports The subsidies would be raised through taxes and subject to parliamentary controls



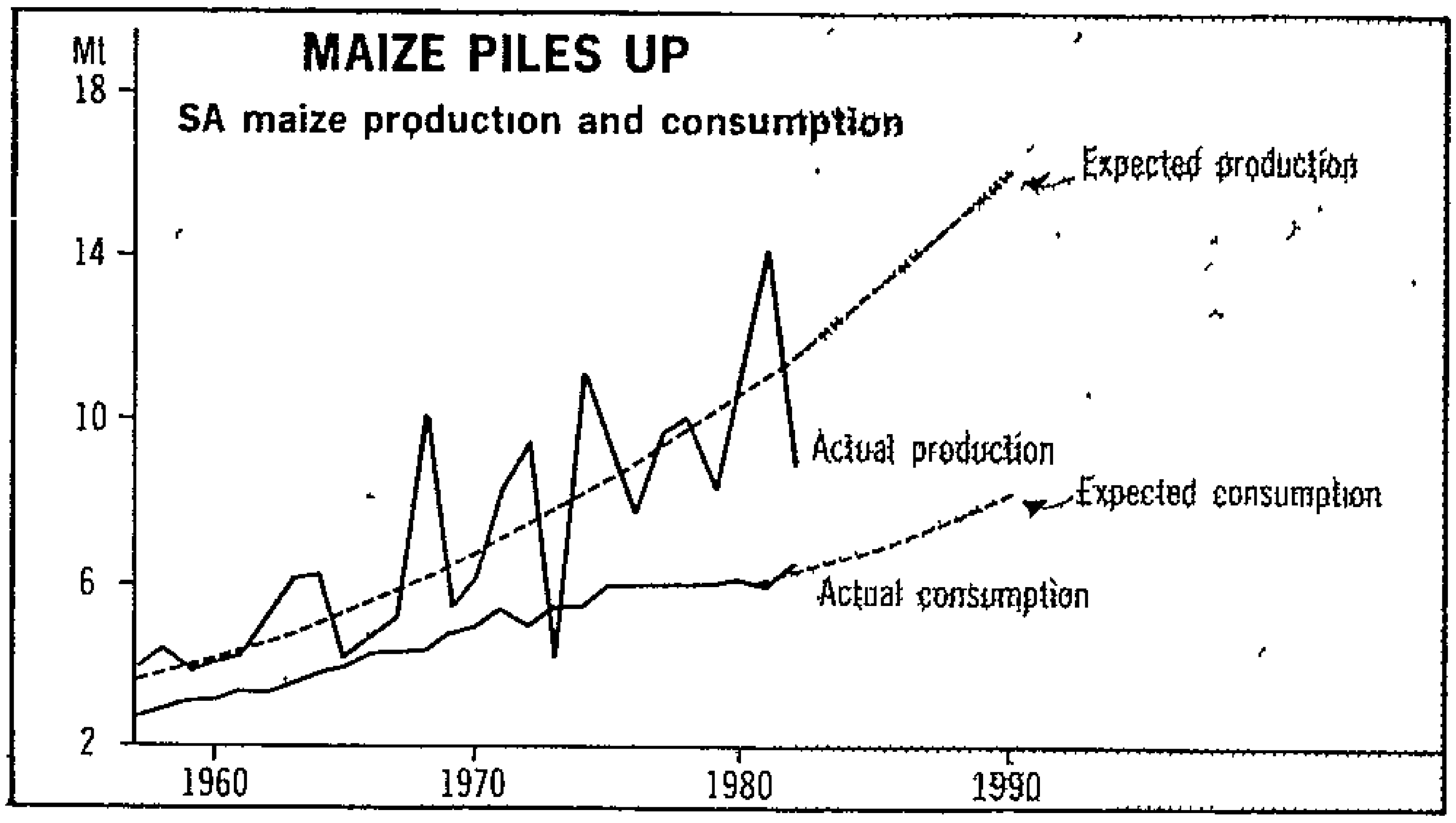
As the surplus grows, profits are squeezed

One advantage would be that the precise cost of protecting each industry would be known, allowing a more rational assessment Under the present "hidden" method of subsidisation, nobody knows exactly how much the country spends to protect which local industries

Nampo estimates that the total cost is in the region of R1 000m/year However, more accurate figures should be available soon The Minister of Industries, Commerce and Tourism, Dawie de Villiers, has commissioned a special investigation by the Bureau of Economic and Political Research at Pretoria University to ascertain the impact of protection on the economy This will give government a better idea of how to budget for subsidies

Direct subsidies would allow customers to buy from foreign suppliers without in-

Minister De Villiers will have to shout the odds



curring import tariffs if they were not satisfied with the quality or service offered by local companies This would place great pressure on all subsidised industry to become more competitive

As subsidies would be an expenditure item in the Budget rather than a revenue item (as are tariffs), the Minister of Finance would also be under pressure to keep them to a minimum This would force further efficiencies in the subsidised industries.

So far, the responses to Nampo's lobbying of the Federated Chamber of Industries (FCI) and the Afrikaanse Handelsinstituut (AHI) have been bland and non-committal. But this masks a turmoil below the surface Some of their members fear that free competition might force them out of business Others would stand to benefit, like the maize farmers, from lower cost manufacturing inputs making them automatically more competitive

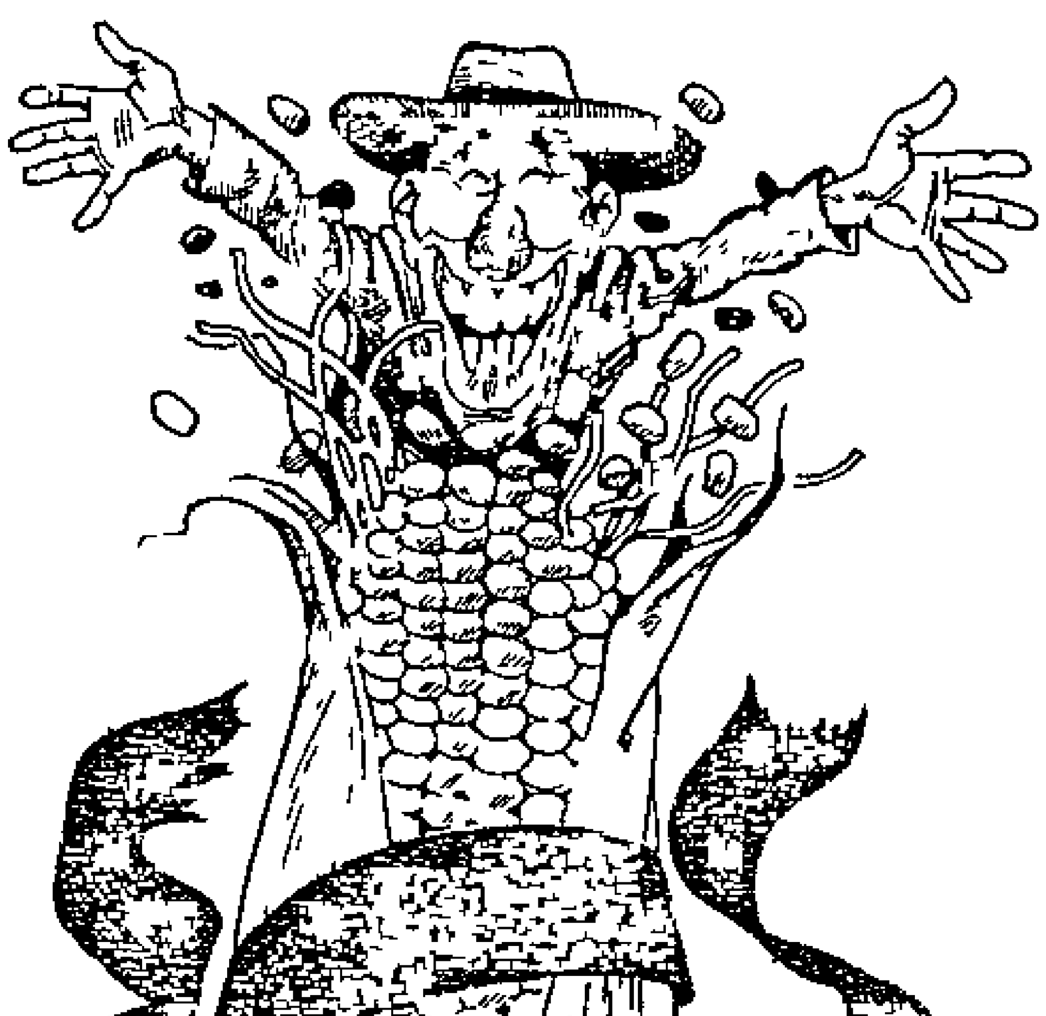
Industrialists tend to believe that government could well begin to switch to direct subsidies as they are under no illusion about the power of the maize lobby They believe it played a part in the Prime Minister's decision to remove Pietie du Plessis from the post of Minister of Agriculture for apparently not supporting maize interests with sufficient vigour And they say it was behind the low price increases granted to fertiliser manufacturers last year

Returns in this industry are now lower than agreed by government in its original price control formulae Insiders predict no further additions to manufacturing capacity, despite a growing demand which already exceeds present output capabilities

Industrialists are reluctant to discuss Nampo's scheme openly, but in private they concede that it would reduce costs and place the economy as a whole on a more competitive footing They also admit that it would be a step towards a more market-related economy

But as one bluntly puts it "The big question is whether government would conti[illegible]
to [illegible]
di[illegible]

The Association of Chambers of Commerce of SA (Assocom), which has a higher proportion of trading than manufacturing members, is naturally more in favour of direct subsidies And at its congress in October, it called for a government investigation into the effects of tariffs on maize prices and the development of a more market-related approach to the industry



The Nampo proposals have also caused a stir in organised agriculture as sectors such as wine, cotton, wheat and tea would be hurt if protection against all imported agricultural products were lifted

The proposals amount to a challenge to government to keep its word in placing more emphasis on free market forces If it does not respond, the chances are that the Herstigte Nasionale Party and the Conservative Party could be persuaded to exploit a concept of greedy industrialists getting rich under government protection at the expense of farmers, and maize farmers in particular Nampo has already had meetings with opposition parties on this

The problems of the maize farmers stem largely from the fact that they have of late been producing ever-growing surpluses which must be sold, often below cost, on world markets This has exerted upward pressure on local prices to the extent that local maize is cheaper than imported maize only because of the costs of transport

Critics of Nampo maintain that the maize farmers' problems could be solved simply by trimming production to serve the local market only But Nampo is naturally loath to curb its activities voluntarily It also points out that the vagaries of the SA climate cause wildly fluctuating harvests, making it advisable to plant for a surplus each year (see graph) The 1980-1981 crop, for example, was more than double local demand, but this season's may not even meet demand because of drought

This view is shared by government And Premier Group chairman Tony Bloom has said that in an increasingly hungry world a surplus of SA maize is of inestimable value and that it would be very bad for the country to have to go "cap in hand" for food overseas

Until the early Seventies, when farmers could produce little more than the country's needs, their local price was lower than world prices, and they made good profits Now their profits are under severe pressure, despite increasing crop yields

According to Nampo, the industry realised a surplus (excluding provision for the costs of land and management) of R438m, which amounts to 69% of a turnover of R633m in 1973-1974 In 1980-1981, the surplus was only R349m, 21% of a turnover of R1 674m Deficits of R608m and R480m are expected for the next two seasons

It would be unfair to say that this turnaround in farmers' fortunes is due to a growing inefficiency The main causes are, rather, the rising surplus, a real fall in world prices due to depressed demand and the increasing real costs of farming

This is illustrated by Nampo's claim that between the 1973-1974 season and the 1980-1981 season local farmers had to produce 20% more maize to pay for a tractor tyre, 32% more for a tractor, 71% more for a ton

It could be argued that government has supported farmers in the past with high administered selling prices, subsidies and cheap Land Bank loans But these remedies are either no longer available or not sufficient to solve the problem

The authorities have already committed themselves to allowing Land Bank interest rates to approach market-related levels And the expected deficits on the latest maize crops are so big that there would be risks of widespread economic dislocation and social implications if they were to be eliminated merely by raising prices or subsidies

An alternative is quotas for maize farmers, forcing them to shrink their capital assets to producing no more than anticipated local demand The strategic implications of that have already been spelled out The other option is Nampo's proposal

Clearly, some of the large manufacturers with considerable capital investments at stake will soon be beating a path to Pretoria They will seek reassurance that much of what they produce — from light bulbs to plastics — should continue to enjoy the strategic status of the past It will give government a good opportunity to reassess its policy on strategic requirements and self-sufficiency For the protagonists have so much at stake that it will be difficult to avoid the issue

. . . And a new deal on women's overtime

CT. Feb. 1983

180

A BILL which will make overtime work voluntary and limit it to 10 hours a week for shop, office and industrial workers, was introduced for a second reading

The Minister of Manpower, Mr Fanie Botha, proposed the second reading of the Basic Conditions of Employment Bill and said that it would replace the Shops and Offices Act and the Factories, Machinery and Building Work Act of 1941

Its terms would also extend to categories of workers who had not had legal protection before, such as nightwatchmen

The Bill was tailored to meet declared Government policy regarding the recommendations of the commission of inquiry into labour legislation

HYGIENE

The Government had accepted the commission's recommendations that the Factories, Machinery and Building Work Act be extended to provide occupational hygiene and safety to all employees

But the Governmnent had decided that the sections of the Act which dealt with conditions of employement be contained in separate legislation which would be amalgamated with the Shops and Offices Act

"The envisaged new Act will not be applicable only to factory, shop and office workers as at present," Mr Botha said

"The shortcoming in present legislation — that workers outside the areas of industrial council agreements and wage agreements and who are excluded from the present Acts and therefore have no protection regarding their conditions of employment — are largely rectified in this Bill"

SCRAPPED

Changed circumstances and the shortage of skilled manpower made it necessary to remove the restriction on women working overtime

The limit of two hours a day on a maximum of three consecutive days a week, and an annual limit of 60 hours for women factory workers, were being scrapped, as were the 30-hours-a-year limit for shops, the 100-hours-a-year limit for offices and the six-hours-a-week limit for both

"A limit of 10 hours a week and three hours a day will apply to all workers in future," the Minister said — Sapa

SECTION 1

The Argus Tuesday February 8 1983

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Labour laws get a new look

ARGUS 8/2/83 (180)

External
(3)

Parliamentary Staff

THREE Bills on labour matters, introduced by the Minister of Manpower, Mr S P Botha, were debated yesterday

The Manpower Training Amendment Bill and the Labour Relations Amendment Bill were read a second time with the support of all three opposition parties

The Basic Conditions of Employment Bill, also debated at the second-reading stage, drew some criticism, but opposition speakers indicated that they would support it in principle

The Conservative Party criticised the Bill on the grounds that it made "unnecessary" reference to race and colour, and that a provision about overtime work for women employees could harm family life

State aid

The three Bills provide, among other matters, for

- State financial assistance to group training centres
- Control of labour brokers and the registration of labour brokers' offices
- Further regulation of the establishment and composition of conciliation boards
- Voluntary arbitration in certain disputes and provision for certain appeals to the industrial court
- Making overtime work voluntary and limiting it to 10 hours a week for shop, office and industrial workers


INSIDE PARLIAMENT

In moving the second reading of the Labour Relations Amendment Bill, the Minister said the proposed legislation provided for control over the activities of labour brokers and for the registration of labour brokers with the Department of Manpower

The purpose of the legislation was to provide more stable service conditions and greater protection for people working for labour brokers

Another provision was aimed at creating an official forum for the solution of disputes in industries and in areas where no industrial board had any jurisdiction

Mr Botha said this amendment was not intended to minimise the important role of industrial boards

Another important provision was to make the machinery of the Labour Relations Act more readily available to parties in dispute, and to speed up the introduction of that machinery

The Minister would also now have the power, after consultation with the parties in dispute, to appoint a mediator

Provision was also being made for direct arbitration regarding any dispute about employer-employee relations

It was proposed that the secrecy provision of the Labour Relations Act be brought into line with that of other Acts

Dr Alex Boraine (PFP Pinelands), the official Opposition's spokesman on labour, said the Bill provided for unregistered unions and employers' associations to have access to conciliation boards where there was no industrial council

The inclusion of unregistered unions in this process was a major step forward

Mr S P Barnard (CP Langlaagte) said he was worried about the National Party's philosophy concerning the future of white workers

Under the Government's labour legislation, white workers were being "thrown into the pool together with all the workers" White workers were not given the protection they deserved

Moving the second reading of the Basic Conditions of Employment Bill, the Minister said the proposed legislation would replace the Shops and Offices Act and the Factories, Machinery and Building Work Act of 1941

Watchmen

The terms of the Bill would also extend to categories of workers who had not had legal protection before, such as nightwatchmen

The Bill was designed to meet declared Government policy in respect of the recommendations of the commission of inquiry into labour legislation

The Manpower Training Amendment Bill provides for the imposition of a levy by the Minister of Manpower for the benefit of training centres

During the debate, Dr Boraine called on employers throughout South Africa to continue to train workers even during times of recession

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

CAPE TIMES 11/2/83

180

Report 'highly critical' in parts

Industrial R[illegible]er

THE Kleu study group report on industrial development strategy is highly critical of several facets of South African industry.

Economic achievements of industry did not meet the requirements which could be expected of a leading sector, the group found. Key shortcomings included:

- In contrast with the primary production sectors manufacturing was a net consumer of foreign exchange.
- Industry was more capital intensive than the primary production sectors and the gap would widen unless steps were taken to encourage more labour-intensive production techniques;
- Manufacturing compared poorly with the primary sectors in terms of the productivity of its employment of capital.

"As things stand at present, therefore, there is no economic justification for developing industry at the cost of the primary production sectors."

Efforts would have to be made to improve the economic performance of the manufacturing sector and it was recommended that immediate attention be given to the overhauling and refurbishing of technological policy.

The study group recommended that an intensive effort be made to raise the productivity of all resources in industry and that the government regard this as a matter of the highest priority in its financial support.

INDUSTRIAL DEVELOPMENT

Kleu reports

FM 11/2/83

180

34

The principles which influenced SA's monetary authorities' decision to abolish exchange control for non-residents emerge strongly in the report of the Kleu study group on industrial development strategy.

The group's 348-page report, which took nearly six years to complete, was tabled in Parliament this week. The group was headed by Sebastiaan Kleu, chairman of the Board of Trade.

Its credo is worth recording in the hope that the country's economic decision-makers will constantly bear it in mind: "In such a system the profit motive and the price mechanism play a fundamental part, because changes in profits and prices flowing from the interplay of demand and supply are the signals to the individual to withdraw from or to enter certain fields of production, and efficient allocation of resources then simultaneously takes place.

"Such a system presupposes a large measure of individual economic freedom — freedom for the consumer to allocate his outlays as he wishes — freedom for the worker to choose between work and relaxation, to offer his services where he wishes and in directions of his choice and to ask what he wishes for these services — freedom of ownership — freedom for private enterprises and businessmen to decide in what directions they wish to invest — decisions in which they are guided by consumers and ultimately by the profitability of the business concerned."

Kleu's analysis shows that industrial development in SA is at a crossroads. The period of relatively easy development over the past 30 years has passed irrevocably. Profound structural changes have taken place. While industry has become the largest contributor to national production, it still lags behind the primary production sectors in terms of productivity (income created relative to capital used). "Industry is also a laggard in respect of its contribution to the balance of payments (it is a large net consumer of foreign exchange), while its employment significance does not yet exceed that of the primary production sectors and for a considerable period will not do so."

One of the group's most important findings is that the whole approach to the utilisation of resources by industry requires serious reconsideration. Until now, industrial growth has largely been achieved by mobilising more production resources and not so much by raising productivity. This has been the 'easy' stage of industrial development.

Further industrialisation is inhibited on the supply side by technological factors and a shortage of capital and trained manpower, especially management, while the bottleneck on the demand side remains limited markets and high unit costs of production.

So, "as things stand at present, there is no economic justification for developing industry at the cost of the primary production sectors (mainly mining and agriculture)." The group recommends that mining and agriculture therefore be developed to the maximum permitted by demand factors and the availability of natural resources.

Study group's Kleu ... all for economic freedom

To improve the performance of industry, the group comes out strongly for a programme to modernise the general level of education for non-whites (as recommended by the De Lange Committee) and develop facilities for technical training.

The group breaks new ground when it suggests that the economic performance of SA manufacturing could be improved by 'the overhauling and refurbishing of technological policy." The latter needs to be integrated with broad industrial policy. Research and development spending needs to be increased, reliance on imported technology needs to be reduced and private industry should get more involved with research. A need exists for transformation assistance to convert technological development into goods and services for the market, and so on.

Most of the group's findings and recommendations on monetary and fiscal policy have been overtaken by recent events. The group cautions, however, that some measures introduced on short-term considerations become long-lived, or even permanent, and have adverse side-effects on long-term industrial development. Examples are the imports surcharge and quantitative import restrictions.

The group is concerned at the quickening swing to capital intensification in industry, and the increasingly inefficient use of such capital. Monetary and fiscal policy should be applied to ensure that real consumer spending of both the private and public sectors grows henceforth at a lower rate than real gdp.

For a start, to encourage saving, it recommends that capital projects of the public sector be more strictly scrutinised and that stringent priorities be laid down for such projects to set capital free for private industrial development. A special section in the Department of Finance should be set up to look at production techniques in capital projects.

While SA has traditionally relied on import replacement as an engine for growth, Kleu says that from now on the demand factor will have to be stimulated to a greater extent by export promotion. A new locomotive for growth is the rapidly rising living standards of non-whites. A golden opportunity exists for industry to take advantage of the expected swing in private consumer demand from non-durables to semi-durables which are more labour-intensive and capital saving than durable consumer goods.

"A redistribution of income in favour of lower income groups may therefore promote economic growth and employment through their effects on the production structure of industry." But then, labour productivity of the lower income groups would have to rise apace with the improvement of their wages.

As a vital adjunct to the expansion of the domestic market, Kleu recommends more vigorous entry into international trade (but with moderate and selective use of tariff barriers against competitive imports).

Most important, the group says that although sharp ideological differences have arisen between the Republic and other countries in southern Africa, no effort should be spared to advance the inter-dependency of nations in the sub-continent.

And while it largely endorses government's new deconcentration policy, the group cautions against efforts to force agglomeration on the growth points identified in government's new plan. Growth in these zones should be organic, not coercive. The regional approach to decentralised growth is therefore welcomed.

Overall, Kleu's study group advocates an industrial development strategy which:

- Raises industrial productivity;
- Brings industrial development more in line with resource endowment;
- Pursues more balanced promotion of exports and import replacement;
- Embodies a more forceful decentralisation effort, on a regional basis and with enhanced co-operation across poltical borders;
- Has a more outward-looking international trade policy;
- Makes a greater use of the market mechanism and market related policy intruments; and
- Where State planning is purely indicative.

INDUSTRIAL DEVELOPMENT

Kleu reports

FM 11/2/83

(180)

The principles which influenced SA's monetary authorities' decision to abolish exchange control for non-residents emerge strongly in the report of the Kleu study group on industrial development strategy

The group's 348-page report which took nearly six years to complete was tabled in Parliament this week The group was headed by Sebastiaan Kleu, chairman of the Board of Trade

Its credo is worth recording, in the hope that the country's economic decision-makers will constantly bear it in mind "In such a system the profit motive and the price mechanism play a fundamental part, because changes in profits and prices flowing from the interplay of demand and supply are the signals to the individual to withdraw from or to enter certain fields of production, and efficient allocation of resources then simultaneously takes place

"Such a system presupposes a large measure of individual economic freedom — freedom for the consumer to allocate his outlays as he wishes — freedom for the worker to choose between work and relaxation, to offer his services where he wishes and in directions of his choice and to ask what he wishes for these services — freedom of ownership — freedom for private enterprises and businessmen to decide in what directions they wish to invest — decisions in which they are guided by consumers and ultimately by the profitability of the business concerned"

Kleu's analysis shows that industrial development in SA is at a crossroads The period of relatively easy development over the past 30 years has passed irrevocably Profound structural changes have taken place While industry has become the largest contributor to national production, it still lags behind the primary production sectors in terms of productivity (income created relative to capital used) 'Industry is also a laggard in respect of its contribution to the balance of payments (it is a large net consumer of foreign exchange) while its employment significance does not yet exceed that of the primary production sectors and for a considerable period will not do so'

One of the group's most important findings is that the whole approach to the utilisation of resources by industry requires serious reconsideration Until now, industrial growth has largely been achieved by mobilising more production resources and not so much by raising productivity This has been the "easy" stage of industrial development

Further industrialisation is inhibited on the supply side by technological factors and a shortage of capital and trained manpower, especially management, while the bottleneck on the demand side remains limited markets and high unit costs of production

So, "as things stand at present, there is no economic justification for developing industry at the cost of the primary production sectors (mainly mining and agriculture)" The group recommends that mining and agriculture therefore be developed to the maximum permitted by demand factors and the availability of natural resources

Study group's Kleu ... all for economic freedom

To improve the performance of industry, the group comes out strongly for a programme to modernise the general level of education for non-whites (as recommended by the De Lange Committee) and develop facilities for technical training

The group breaks new ground when it suggests that the economic performance of SA manufacturing could be improved by "the overhauling and refurbishing of technological policy" The latter needs to be integrated with broad industrial policy Research and development spending needs to be increased, reliance on imported technology needs to be reduced and private industry should get more involved with research A need exists for transformation assistance to convert technological development into goods and services for the market and so on

Most of the group's findings and recommendations on monetary and fiscal policy have been overtaken by recent events The group cautions, however, that some measures introduced on short-term considerations become long-lived, or even permanent, and have adverse side-effects on long-term industrial development Examples are the imports surcharge and quantitative import restrictions

The group is concerned at the quickening swing to capital intensification in industry and the increasingly inefficient use of such capital Monetary and fiscal policy should be applied to ensure that real consumer spending of both the private and public sectors grows henceforth at a lower rate than real gdp

For a start, to encourage saving it recommends that capital projects of the public sector be more strictly scrutinised and that stringent priorities be laid down for such projects to set capital free for private industrial development A special section in the Department of Finance should be set up to look at production techniques in capital projects

While SA has traditionally relied on import replacement as an engine for growth, Kleu says that from now on the demand factor will have to be stimulated to a greater extent by export promotion A new locomotive for growth is the rapidly rising living standards of non-whites A golden opportunity exists for industry to take advantage of the expected swing in private consumer demand from non-durables to semi-durables which are more labour-intensive and capital saving than durable consumer goods

"A redistribution of income in favour of lower income groups may therefore promote economic growth and employment through their effects on the production structure of industry" But then, labour productivity of the lower income groups would have to rise apace with the improvement of their wages

As a vital adjunct to the expansion of the domestic market, Kleu recommends more vigorous entry into international trade (but with moderate and selective use of tariff barriers against competitive imports)

Most important, the group says that although sharp ideological differences have arisen between the Republic and other countries in southern Africa, no effort should be spared to advance the inter-dependency of nations in the sub-continent

And while it largely endorses government's new deconcentration policy the group cautions against efforts to force agglomeration on the growth points identified in government's new plan Growth in these zones should be organic, not coercive The regional approach to decentralised growth is therefore welcomed

Overall Kleu's study group advocates an industrial development strategy which

- Raises industrial productivity,
- Brings industrial development more in line with resource endowment,
- Pursues more balanced promotion of exports and import replacement,
- Embodies a more forceful decentralisation effort on a regional basis and with enhanced co-operation across poltical borders
- Has a more outward-looking international trade policy
- Makes a greater use of the market mechanism and market-related policy intruments and
- Where State planning is purely indicative

SPOTLIGHT ON KATLEHONG

Industrial site like a beehive

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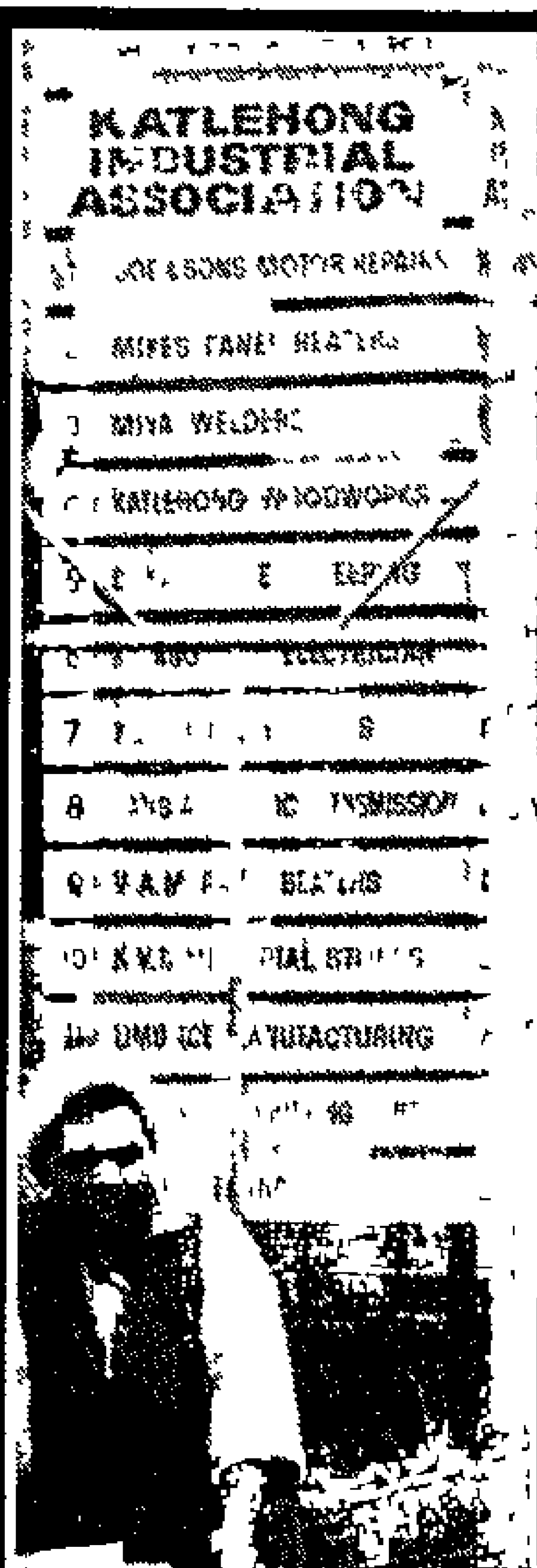

By NKOPANE MAKOBANE
Pics by ROBERT MAGWAZA

DRONING OF MACHINES

THE Katlehong Industrial Association site is a beehive of activity like one would find in any industrial area.

A big signpost with a multitude of business' names greets the eye as one approaches the area Coming closer, one can hear the whirling, wheezing and droning of machines

One other striking factor about this place situated in Moshoeshoe Section and officially opened late last year, is its neatness and the way small traders there take pride in their cross-section of businesses

Mr Hennie Bornman, a senior business consultant with the Urban Foundation based on the site to give advice to the businessmen, said the site was an exciting innovation as the first of its kind on the East Rand

He said the association's site with seven black directors and 33 members boasted 25 manufacturers and one accounting service Plans, he said, were underway to expand the premises as they had about 36 people on the waiting list

"My office is open to any backyard manufacturer who may need proper advice to develop his business Many people have found our services to be valuable that we have also been approached by other small traders in other East Rand townships "

Businessmen spoken to on the site said they were pleased to have moved to the area They said they had more room than when they operated in their yards and the place gave them the right kind of motivation

Said Mrs Gugu Maleke who with her husband Erickson manufacture and sells pottery 'I love the place because we now work at ease and can make as many utensils as we can This we could not do while working from home because of the low electricity current supply "

Mr Joseph Ledwaba who runs a brick works, said he jumped at the opportunity to move in the area when it opened because of space problems where he used to operate.

He said he was now able to make between 800 and 900 concrete and ash blocks a day. Because of the increased brick production, he said, he has even clinched a contract with the Urban Foundation to supply bricks for the new houses being built in Ramokonopi Section.

Other businesses being run on the site include motor repairs, panelbeaters, upholstery, ice manufacturing, metal industry, leather works, tiling, knitting, woodwork, welding, manufacturing of memorial stones and a florist shop

INDUSTRY: Mrs Gugu Maleke with two of her staff at her pottery shop at the Katlehong Industrial Association site.

Botha says no decision has been taken on Clairwood

Mercury
18/2/83

Natal 18/2/83

Mercury Reporter

THE Administrator of Natal, Mr Stoffel Botha, has assured Indians in Clairwood that no decision has yet been taken by the Province on a Durban City Council application for designation of the area for industry.

Fears that the area's future for industry had been sealed was unfounded, he said in a letter to Mr M N Ramson, president of the Clairwood Ratepayers' and Residents' Association.

Mr Botha said it was not within the powers of the Durban City Council to take a 'unilateral decision' to designate the area

The relevant Provincial Ordinance provided for a local authority to apply to the Administrator for approval of an application for designation, he said, adding that an application for designation of Clairwood was made by the council as long ago as 1975 but no final decision had yet been reached.

Mr Botha said a full investigation into 'all aspects and implications' of the council's proposal had been conducted, including consultations with residents.

He was informed that processing of the application for designation was now taking place, he said.

Mr Ramson said that although the area's future remained uncertain, property owners were forced to pay municipal rates on their properties, which he described as exhorbitant

West Cape like California 20 years ago — US analyst

Bus Argus 19/2/83 180

By AUDREY d'ANGELO

THE Western Cape is like California 20 years ago, says Mr Don McAlvaney, a visiting American economic analyst.

Mr McAlvaney, who publishes a monthly intelligence letter in Denver, Colorado, is director of the non-profitmaking foundation Americans Concerned for South Africa

He has brought 90 businessmen and their wives on an investment tour of South Africa

He said at a reception given by the Mayor of Cape Town, Mr M J van Zyl, this week he believed many of the party would invest in property and in labour-intensive factories in the Western Cape

They were also interested in gold and many already had gold shares

BUYING FLATS

Mr McAlvaney himself is interested in buying flats under sectional title in the Cape Town area

He said "Property prices have exploded in California in the past 10 years and I believe the same thing will happen here

"Industrial investment here would also make sense, particularly in the small, labour-intensive factories which Wesgro is encouraging people to start up"

Mr McAlvaney founded Acsa eight years ago after his first visit to this country, because he found the reality totally different from the picture of South Africa given to Americans through their newspapers and television

"I came here to see for myself what South Africa was like and I was amazed at the difference between conditions here and what we were led to believe

"I decided to set up a non-profitmaking educational foundation to give Americans more accurate information and improve relations between our countries at business and government level

"Acsa publishes a monthly newsletter which goes to members of the White House staff and other influential people"

Mr McAlvaney has brought several previous tours to this country and tries to arrange meetings with black and coloured leaders as well as influential white people to help the visiting Americans understand the complexities of society here and the problems to be faced

APARTHEID IN U.S.

"Americans tend to have an over-simplified view of the world," he said

"It is only 30 years since petty apartheid was practised in the United States We did not call it that, but the restrictions were there

"We have come a long way since then and you are moving in the same direction"

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Plan for Govt loans as spur for industry

By Michael Chester

The Government is to be urged to introduce special loan packages to encourage industrial expansion with the potential for creating thousands of new jobs.

The initiative in discussions will be taken by the vast Barlow Rand group, the largest manufacturer in the country with a labour force of more than 200 000 and one of the most influential business voices in the private sector

Mr Derek Cooper, executive chairman of the electronics and engineering division, believes the plan can also provide South Africa with a springboard to come abreast of global developments in high technology.

The main objective will be to persuade the Government to launch special financial packages as incentives for companies to invest in new ventures to compete with overseas for huge industrial orders.

Barlow Rand believes the solution is a Government scheme to guarantee low-interest rates on investment loans and build in buffers to protect expansion schemes from chronic inflation

"At the moment," argues Mr Cooper, "local industries are at a total disadvantage when it comes to competing with most overseas rivals even on the home market because of the way their governments help to finance their exports

"Both the British and Japanese, as example, enjoy State assistance in bringing down export price levels

"South African producers crucially need a government package that will give us a better chance of winning more of the lucrative orders now going to overseas suppliers

"Orders worth hundreds of millions of rands are at stake — and they are the key to our whole industrial future," said Mr Cooper

Barlow Rand has already begun lobbying senior Government officials and now intends to seek support from the Minister of Finance and Minister of Industry and Commerce on the way to a Cabinet decision

Observers believe full support is virtually assured from such bodies as the Federated Chamber of Industries and the Steel and Engineering Industries Federation.

"It has become crucial that our manufacturers expand faster into new technologies," says Mr Cooper "Unless we learn to stand on our own feet, we shall have little or no chance of industrial survival."

● See also Page 10.

Atlantis gets R10-million for housing, industry

ARGUS 2/3/83

Staff Reporter

ATLANTIS has been allocated R10-million by the National Housing Commission for residential and industrial development in 1983 — 550 houses will be built

Established in 1974 as a "coloured deconcentration point", Atlantis houses about 35 000 people in 5 076 homes

There are applications for 2 448 homes on the Atlantis waiting list and a further 1 570 for employees of firms in the area Priority for the new homes will be given to those employed in Atlantis itself

Of the National Housing Commission's allocation, R5-million will go to residential schemes, including the 550 economic houses to be built for home owners in Protea Park and Robinvale

These should be finished by early 1984, said Mr Piet Burger, Divisional Council of the Cape (Divco) projects manager for Atlantis

About R200 000 will be spent on completing the water supply project, already under construction

The remaining R5-million will be used for industry

Import replacement — the sacred cow with sour milk

RDM 9/3/83

180

SOUTH AFRICA'S import replacement drive, for a long time an almost sacred part of the Government's economic strategy, is coming under increasingly heavy criticism.

Even the Prime Minister's economic adviser, Dr Simon Brand, has conceded that "we have perhaps a tendency to try to over-provide on the side off self-sufficiency We have perhaps gone a bit far in some respects"

The most spirited attack has come from the National Maize Producers Organisation (Nampo), a vociferous and politically powerful group of maize farmers who are fed up with paying hefty premiums for SA-produced truck and tractor engines, fertiliser raw materials and other farm requisities

They want to be allowed to buy supplies from the cheapest source, whether in South Africa or abroad

The motor industry is also worried by a recent spate of cost-raising import replacement projects, notably diesel engines, axles and gearboxes

Moves towards self-sufficiency were spawned by fears that the South African Defence Force would be cut off by sanctions from foreign supplies This had a bearing on civilian needs when it became clear that plants needed longer production runs to make them reasonably profitable.

The motor manufacturers have prevailed on the authorities to appoint an official inquiry into a formal local content programme for heavy trucks, similar to that for cars and light commercial vehicles.

The motor companies would prefer to buy components from the source of their choice But if they are to be forced to support SA suppliers, they at least want firm guidelines on the Government's import substitution plans

The Government is caught between two stools

On the one hand, it encouraged import replacement in the past The threat of trade sanctions and other strategic considerations gave birth to important sectors of industrial output, including the Sasol oil-from-coal plants, armaments factories, plastics, stainless steel and synthetic rubber

On the other hand, Pretoria is being made increasingly aware of the costs of this policy As Dr Brand said "Any drive towards self-sufficiency tends to raise costs, and to harm the competitiveness of our (non-mining and non-framing) export industries"

The difference between prices of South African and imported items is sometimes large, especially now that international markets are depressed

For instance, the SA price of polyvinyl-chloride (PVC) is R1 590 a ton compared with R600 on world markets

But some key South African industries would not survive if they were not almost insulated from outside competition

Mr Denys Marvin, managing director of AECI, South Africa's largest chemicals producer, says tight import controls have been a key factor in the expansion of the chemical industry.

He said that if adequate steps were not taken to keep out cheap imports from the US, Europe and the Far East, "then at the very least, the question of building further high capital cost chemical plants in the Republic will receive more than the usual scrunity"

Mr Mervin's warning — and similar complaints from executives in the paper and textile industries — comes amid signs that, at least for the time being, Pretoria has higher priorities than giving blanket protection to SA industries

One is the fight against inflation What better way to hold down prices than to make producers compete a little harder against cheaper imported articles, argue those who favour more import liberalisation

The Government has refused to allow fertiliser companies the 20% price increase they were entitled to in terms of a price control formula for the industry Instead, the rise was limited to 13% and was based on prevailing international prices for ammonia

The Board of Trade and Industries, which considers applications for tariff protection, has rejected a substantially higher proportion of requests since 1979 than in the previous four years

The General Agreement on Tariffs and Trade is one of the few international organisations of which South Africa is still a full member The authorities are trying to comply with Gatt rules by replacing direct import controls — mainly by means of permits — with Customs tariffs

The plastics industry, for example, will soon submit detailed proposals, on the level of duties it considers adequate to keep out competitive imports

The success of the import replacement drive is a matter of some controversy

While South Africa has become less dependent on the outside world for a number of strategic industrial and consumer products, it still relies heavily on foreign suppliers for much of the plant to produce those items — Financial Times

ECONOMIC POLICY

Private partners

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FM 11/3/83

If there was any doubt over government's commitment to allowing the private sector to play a more dynamic part in the economy, it has finally been dispelled

The Director-General for Finance, Joep De Loor, recently succinctly summed up government's position for members of the long range planning society in Durban He said "Those functions that do not incontestably belong in the public sector should be disposed of to private enterprise, while those that remain should admit the private sector as a partner"

According to De Loor, government was actively seeking co-operation of the private sector because of the increasing demands on the Exchequer In order to meet the aspirations of the country's various population groups there would have to be a significantly higher floor level of government expenditure

Housing was a case in point If the urban black housing problem were to be solved by the year 2000, the state would have to spend R2,5 billion/year, at constant prices, on housing This was only slightly less than the current total spending on defence But by fuelling the economic growth engine through less government control and optimum utilisation of resources, the problem of matching unlimited wants with limited resources could be solved

Government, he said, had done its part in embracing the principles of the market place more fully Examples were the small business development corporation, the Competition Board, the Southern African Development Bank, and the phasing out of price controls and subsidies

To keep inflation down it had reduced spending and on tax matters it was moving towards more indirect taxation and fewer tax reductions De Loor said "We are trying to move away from a concept of hidden subsidies via tax deductions, towards a system of voting the necessary subsidies openly through the budget and having them reviewed annually"

However, De Loor did sound a note of warning about government's new constitutional dispensation Financial anarchy, he said, could result unless financial matters not divisible by population group were put in the hands of the President, his Cabinet and the Minister of Finance

Chairman's review

(180) Cape Times 29/3/83

AMIC

ANGLO AMERICAN INDUSTRIAL CORPORATION LIMITED

The increased size and spread of the group has enhanced its attractions as an industrial investment vehicle.

The investment in and development of material and human resources must be continued during the current recession if the group is to benefit fully from an economic recovery.

An abridgement of the annual review for 1982 by Mr G W H Relly, Chairman of Anglo American Industrial Corporation

Amic's results were significantly affected by the deepening economic recession in South Africa and the persistence of extremely difficult trading conditions overseas Although the group's earnings increased by 4,5 per cent to R186,8 million, earnings per share on the increased share capital arising from the merger with De Beers Industrial Corporation (Debincor) and related acquisitions decreased by 37,1 per cent to 416,6 cents per share As anticipated at the time of the merger, however, the higher proportion of group earnings derived from dividend income from associated companies and investments has enabled it to reduce the dividend cover and the final dividend has been increased by 10 cents to 125 cents per share, giving a 9,1 per cent increase in the total dividend from 165 cents per share to 180 cents per share

The highlight of the 1982 financial year was the implementation of the merger with Debincor and the acquisition of additional interests in Highveld Steel and Vanadium Corporation and The Natal Tanning Extract Company, making these two companies partly-owned subsidiaries of Amic The effects of the merger on Amic's overall size will be apparent from an examination of the financial statements but it is clear that Amic has emerged as a very large industrial group with total assets of R2 827 million at December 31 1982 and a capitalisation on The Johannesburg Stock Exchange of R1 416 million I have no doubt that the increased size of the group and the spread of its assets, particularly in the chemicals and steel sectors, greatly enhances its attractions as an industrial investment vehicle and will enable it to fund more easily the major expansion projects upon which subsidiaries, such as Mondi Paper, have embarked

The difficult trading conditions experienced world-wide and the particularly depressed state of the steel, paper, base metals and minerals sectors had a severe impact on Amic's major operating subsidiaries, the world-wide malaise in mining affected Boart International's results in particular Under-utilisation of capacity has led to temporary closures of certain operating plant at both Mondi and Highveld Profits were also adversely affected by the very high level of interest rates that prevailed in South Africa throughout the year and the 10 per cent increase in the rate of company taxation Although the subsidiaries' export revenues increased to R280 million in 1982, margins on these sales were lower due to deteriorating markets

Dividend income from the group's associated companies and investments rose to R73,7 million in 1982, reflecting the increased investment in AECI, The Tongaat-Hulett Group and other companies It is disappointing to note, however, that among the associates Sigma Motor Corporation incurred substantial losses, mainly as a result of currency losses and high interest rates, and as the buoyant trading conditions experienced by the motor industry in previous years fell away For some time it had been recognised that Sigma was over-geared and its financial structure was the subject of unresolved discussions between the shareholders over the past two years Early in 1983, Amic and Anglo American Corporation of South Africa acquired the equity and other interests in Sigma held by subsidiaries of Chrysler Motor Corporation, in proportions which resulted in each of them increasing their equity interest in Sigma to 50 per cent The shareholders can now proceed with refinancing the company to put it on a sound financial footing Sigma's new management has implemented steps to remedy the company's difficulties and anticipates that the company should be restored to profitability in 1984

During the year under review, Mondi's major capital project for the construction of a new pulp mill complex at Richards Bay gathered momentum The scheme is expected to cost about R600 million to completion and arrangements have been made for the shareholders of Mondi to make available loan and equity finance amounting to R150 million In addition, outside loan facilities totalling R450 million have been arranged by Mondi and substantial use will be made of project finance and export aids where appropriate

Economic review

The need to contain inflationary pressures is one of the most important factors affecting the prospects for industry in the immediate future This seems to preclude an early relaxation of fiscal policies, although monetary conditions have already reflected the changed internal and external circumstances Thus, at the time of writing, any alleviation of the overall tax burden in this year's Budget seems unlikely Containment of the rate of increase in wage costs is likely to be a priority in the public and private sectors Under these circumstances real disposable income may decline Given the already high level of consumer indebtedness and that the need for replacement of consumer durables is probably relatively low, consumption expenditure will almost certainly remain severely constrained

With this as a prime consideration, total private sector fixed investment activity will probably decline, while a similar trend for the public sector as a whole is likely to reflect continued financial austerity and determined efforts to control administered price increases Such policies must be taken into account in assessing prospects for an early improvement in domestic markets Similarly, a significant up-turn in export volumes appears unlikely before the second half of 1983 and some industries may well have to wait somewhat longer Clearly, the current downward trend in industrial production is likely to continue in the immediate future, with the prospect of more stable conditions in the second half of the year depending primarily on the direct and indirect effects of better external trading conditions

Indeed the rise in the gold price in recent months raised such hopes Together with a very sharp decline in the volume of imports, it resulted in a rapid narrowing of the current account deficit in the second half of 1982 and brought the prospect of a surplus in 1983 With the renewed price weakness and volatility of recent weeks, however, a cautious view of such prospects must be maintained, although lower crude oil prices will compensate to some extent in the short term and may well contribute to a quicker recovery in world trade generally

A rapid and persistent build-up of liquidity, associated with a surge in the gold price, such as that which occurred early this year, would undoubtedly militate against the establishment of conditions required for a sustainable period of growth in South Africa, however welcome the short-term effects on domestic spending and production On the other hand, while recognising that a strengthening currency is crucial to efforts aimed at controlling inflation, the advantages of an appreciation in the rand must be open to question if it is based excessively on the price of a single commodity, however important Thus the recent bold moves to address these problems, involving the relaxation of exchange controls and an associated merging of the commercial and financial rand, are praiseworthy

We must remind ourselves that the pace of the up-swing in 1980–81 in itself contributed substantially to the sharpness of the current down-turn as well as to the associated intractability of inflationary pressures More moderate, though still highly acceptable, rates of growth in that period would almost certainly have resulted in better conditions at present A more stable growth pattern of this kind would be more conducive to the maximum utilisation of all our domestic resources Most important, it would enhance conditions for a stable growth in employment opportunities for both skilled and unskilled South Africans – a crucial consideration for our long-term prospects

In the light of rising unemployment, selective stimulation of the economy should not be delayed longer than necessary As previously noted, the more flexible monetary, fiscal and other measures have already proved their worth and I am hopeful that the recent exchange measures will be as successful

Report highlights

	1982 R million	1981 R million
Total assets*	2 827,1	1 550,8
Ordinary shareholders' funds	1 368,6	623,0
Turnover	1 707,5	1 224,3
Profit after taxation	244,1	204,3
Net earnings for ordinary shareholders	186,8	178,7
Ordinary dividends	80,7	44,5
Earnings per ordinary share – cents	416,6	662,6
Dividends per ordinary share – cents	180,0	165,0
Ordinary dividend – times covered	2,3	4,0
Net asset value per ordinary share* – cents	3 234	2 929
Ordinary share price – high – cents	3 475	3 500
– low – cents	1 850	2 050
Number of ordinary shares in issue at December 31 (000)	45 677†	26 973
Number of ordinary shareholders at December 31	6 488	6 623
Number of employees – in subsidiary companies	47 300	37 900
– in associated companies	175 000	63 000

*Associated companies and investments at market or directors' valuations

†Includes 849 164 ordinary shares held by a wholly-owned subsidiary

The annual report and chairman's review may be obtained from Consolidated Share Registrars Limited, First Floor Edura, 40 Commissioner Street, Johannesburg 2001 The annual general meeting of members will be held at 44 Main Street, Johannesburg, on Tuesday May 17 1983 at 11h15

Labour and productivity

1982 has seen the continued growth of the trade union movement among all population groups in South Africa Increasingly, workers will press for higher reward through their unions While this process is natural, it can only be sustained in the longer term if it is accompanied by business growth In turn, growth can be ensured only if South Africa can maintain or improve productivity over its competitors

For management, this poses the challenge of continued investment in, and development of, our material and human resources, which must be continued during the current recession if the group is to equip itself to benefit fully from an economic recovery

For the unions, increased productivity will require at least as much co-operation in the production of wealth as there is competition over its division

The new Black Local Government Act is certainly a step in the right direction of meeting some of the political problems facing urban black industrial workers but, so long as racially discriminatory laws, such as influx control, are imposed through political institutions which exclude the people to whom they apply, these laws will complicate the worker-management relationship The new constitutional proposals, although positive in many respects, do not tackle this dilemma

Outlook

At this stage there is little to indicate that economic conditions in 1983 are likely to be any better than those of 1982 The country's industries face low export prices in contracting world markets, now coupled with a rapid decline in domestic consumer and industrial demand Although the rate of inflation has fallen somewhat, it remains at an unacceptably high level and administered increases in costs of transport, power and raw materials and in taxation are eroding profit margins while selling prices remain static or decline

In the Amic group, cut-backs in capital expenditure are being implemented where appropriate and Highveld is to defer the commissioning of its second iron plant until trading conditions improve The directors consider, however, that Mondi must proceed with the Richards Bay pulp mill, which is due for commissioning in the last quarter of 1984, by which time a more favourable economic climate should exist and shortages of chemical pulp will no doubt again be evident In that event, Mondi should be in a most advantageous position to derive the benefits forecast when the decision was taken to establish the pulp mill complex at Richards Bay

It is satisfactory that Amic was able to increase dividend distributions in 1982 despite the uncertain conditions In the current environment it is possible that some of Amic's operating subsidiaries and associated companies will show a further profit decline, with an impact on overall group results I believe, however, that the difficult times will tighten our management and set the group on a sound basis to take advantage of an up-trend

Directorate

At Amic's first board meeting held on October 2 1963, Mr H F Oppenheimer was appointed a director and chairman of the board He held the latter position for almost 10 years and remained on the board until September 1982 when he tendered his resignation Mr Oppenheimer's wisdom, firm guidance and sure encouragement over this long period are reflected in the tremendous growth of the Amic group since its formation and we shall miss him very much

Mr E H Dreyer has resigned as a director following his retirement as deputy chairman and managing director of Scaw Metals at the end of February 1983 As he remains a director of Scaw, however, I am glad to say his long and successful association with that company and with Amic will continue Mr Dreyer has been succeeded as deputy chairman and managing director of Scaw Metals by Mr R A Boustred who has been appointed a director of Amic

In addition, I have great pleasure in welcoming Mr D N Marvin, managing director of AECI, as a director and I am confident that he and Mr R A Boustred will make valuable contributions to the group's affairs

aac

D. Dispatch 14/4/83

(180)

Mdantsane industries plan

By Tom Louw

Business Editor

EAST LONDON — The Small Business Development Corporation (SBDC) is investigating the viability of setting up a factory complex for small industries in Mdantsane

This investigation arises from discussions held with the Ciskei Small Business Development Service.

The establishment of a locally administered revolving fund for infant enterprises in the informal sector is also under consideration

In recent months special efforts have been made to associate the SBDC with the development initiatives in the Eastern Cape The staff of the Port Elizabeth branch office has been strengthened and the executive committee of the board of directors held its first meeting of the year in Port Elizabeth

The Mdantsane factory complex, if it goes ahead, will be the corporation's first project in Ciskei and the Border. SBDC projects are already under way at Port Elizabeth and Uitenhage

The corporation's current newsletter discloses that nationwide, 855 businesses owe the SBDC a total of R47 million They have an annual turnover of R316 million and employ 16 000 people.

EXPORT OR DIE

(180) FM 22/4/83

A protected local market for products made by labour-intensive industries has led to total inertia among manufacturers to enter overseas markets

This, suggests Marius De Waal, MD of the Industrial Development Corporation, is the conclusion to be drawn from the fact that 45% of manufacturing is labour-intensive, yet this sector contributes only 23% to manufactured exports

De Waal, addressing this week's seminar in Johannesburg to discuss the Kleu committee's industrial strategy report, made it clear that export-led growth is essential to SA's future industrialisation

Import replacement

"The report shows there is limited potential for import replacement, and we must bear in mind that strategic industries are not a major force in industrial development," he observes "So the only prime mover left to ensure rapid industrialisation is export-orientated growth."

De Waal adds that successful export-orientated industrialisation will also depend on the correct balance of incentives. This will demand at least the same assistance to export promotion as is granted for import replacement — and eventual parity

Incentives alone will not adequately stimulate export growth

Prominent among other hurdles to be overcome, he says, is "the hesitation and reluctance of industries, which have owed their growth to tariff protection and import replacement to enter export trade."

Other obstacles include unproductive labour costs, restrictions on exports, embodied in know-how agreements with overseas parties, and the need for decentralisation from the Reef with its high transport costs.

However, no radical or sudden change to the *status quo* appears likely to result from Kleu's report

De Waal notes· "Continuation of the policy of moderate tariff protection will not only serve to keep existing industries intact and sound, but also ensure that the remaining areas of import replacement, although limited, will nevertheless be vigorously pursued."

□ The seminar was organised by the University of Stellenbosch Business School with Associated Chambers of Commerce, Federated Chambers of Industries and the Afrikaanse Handelsinstituut

FM 22/4/83

180

MANUFACTURING

Capital disincentive

The Federated Chamber of Industries has come out strongly against Finance Minister Owen Horwood's adjustments to initial and investment tax allowances on capital investment projects

The changes mean that from July 1985 capital investment in plant and machinery will be less attractive for the manufacturing sector The Association of General Banks is also known to be extremely dissatisfied with the changes

The financing industry is asking why industrialists should be placed at a disadvantage from the point of view of first-year tax write-offs Agriculture and mining enjoy a 100% tax write-off in the first year of the new equipment's life, while manufacturers will now be entitled to only about 60% in the first year. The 60% varies according to the type of plant and machinery and the level of depreciation allowed.

The tax authorities will not say why industrialists are being penalised. They say the standing commission on the issue will table its report, containing the reasoning behind the move, in the near future.

However, bankers believe the explanation is that the investment allowance is being viewed as a scapegoat for failure to meet job creation goals The Kleu report on industrial development strategy reinforces this explanation. But, as Roly Perold, Santam Bank MD, says "In this technological age, except in a few labour intensive industries, labour cannot be simply substituted for machinery. Usually employment and economic growth are investment-led. The stimulation of jobs and manpower training should be a parallel policy."

Notwithstanding this, a source in Pretoria says the fear of rising unemployment has resulted in a switch in official investment ideology The changes in investment and initial allowances reflect this switch to the view that, in the long run, labour-intensive industries should be favoured and that capital should therefore be made more expensive

Explanation

There seems to be little doubt as to why Horwood chose to simply swap manufacturers' 30% investment allowance for a bigger, that is 55%, initial allowance. The explanation seems to be that Inland Revenue experienced some difficulty in 1981 in providing consistent rulings for bankers to guide them with proposed project finance packages. At that time the economy was flourishing and plans for capital investment projects abounded.

The objections to the changes from the banking industry concern the effect of inflation on capital accumulation and the cost of plant. At the current inflation rate, more than 14%, industrialists are unlikely to be able to set aside sufficient reserves out of after-tax profits to provide for the replacement of plant if they are restricted to depreciation allowances over the life of the plant not exceeding 100% of the original cost Bankers say that if tax allowances for industrialists wanting to provide for plant replacement are inadequate, productivity and production capacity will decline in the long run

The changes will result in a substantial saving to the fiscus since, after 1985, "trading" tax base between companies will be virtually impossible On the other side, without this facility the financing costs for many proposed capital projects will be prohibitively high

By switching investment allowances into the initial allowance, the fiscus may ease its short-term burdens But the effect on long-term infrastructural development could be detrimental

FM 29/4/83

180 ~~210~~ ~~32~~

NATIONAL ACCOUNTS

Uncooking the books

The sharp attack mounted this week against Pretoria's official statistics by Natal University economist, Charles Meth, may be obscured by the left-wing rhetoric in which it is clothed Nonetheless, it contains some valid charges which will surely need answering

The attack, mounted in the form of a paper produced for the Federation of SA Trade Unions, Fosatu, has its ideological colours firmly nailed to the mast Meth is primarily concerned to dispel what he views as the official myth that SA has shown a dismal productivity performance over the last decade, a myth used by management against workers demanding higher wages

Related to this is a challenge to the conventional wisdom that fast economic growth is the best means to provide employment. Meth characterises the most important implications of his findings as "South Africa has, contrary to popular belief, experienced both high economic growth and high productivity from 1970 to 1980 *in spite* of two recessions *and* that this good performance has not produced sufficient jobs .." and "Considerable ignorance about the real performance of capitalist enterprises hampers workers' struggle for their rightful share of output"

Meth's terminology and vested interests may alienate some A Johannesburg economist, for instance, believes that "the loose and vitriolic style in which he writes dismisses his paper as a serious academic endeavour" And in fact Meth may have tumbled into his own trap by charging that statistical treatments of figures cannot in general be rigidly interpreted, but that his treatments are "more right" than are Pretoria's As another economist puts it "You can prove many things with statistics The truth of your conclusions is always a relative one and heavily dependent upon your assumptions"

Something wrong

But the paper is not an isolated voice in its criticism of the validity of many of the figures produced by the Central Statistical Services (CSS) in Pretoria That these do not always meet the highest standards of presentation, quite apart from questions of interpretation, is clear from the second example in the accompanying box (*Meth's method*) Further, it is difficult to see how the CSS can explain away the internal inconsistencies in some of its figures that Meth demonstrates There is clearly something wrong there that transcends the universally acknowledged relativity of statistical convention

More important, the paper can be seen as a plea for moderation in attaching over-significance to the official statistics compiled for the national accounts, insofar as they claim to measure real trends in the development of the economy and in national welfare As Meth says "My findings are subject to the same objections The whole point is to demystify them — to avoid treating them rigidly" This is especially important when vital socio-economic decisions are based on these results Here Meth's real argument is with the National Productivity Institute, whose influential assertions of falling productivity in the mining sector over the last decade appear to contradict even those of the CSS Both cannot be right, although both could be wrong

In broader terms, divested of its polemic, Meth's findings are a contribution to a wider and older econometric debate — the problem of measurement Here, his claim that the United Nations conventions used by SA in computing its national accounts

METH'S METHOD

For the technically minded, we have extracted three major criticisms of official statistics from the welter of charges that Meth levels

□ **Valuing mining output** Meth claims that the deflator used by the Central Statistical Services (CSS) to reduce current values of mining output to real or constant values is unsuitable The CSS uses an index of physical volume of production, so that if the number of ounces of gold produced declines, the real value of the contribution of the gold to gross domestic product also declines This ignores price fluctuations, as it is meant to do So it produces the result that although the total income of the mining sector in 1980 was R13,4 billion, the real value of output is given as R3.5 billion, lower than the 1970 figure, simply because a lower tonnage was produced

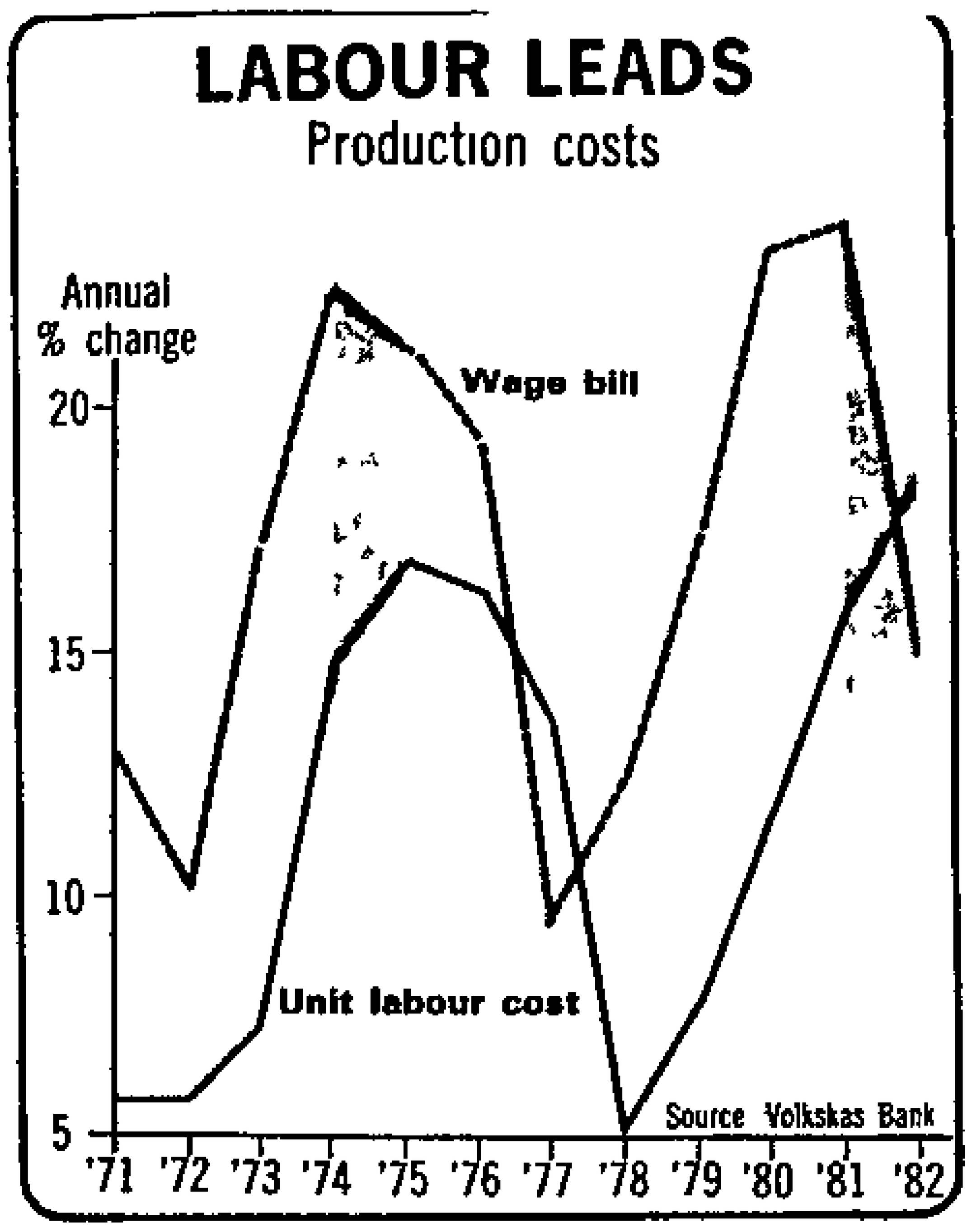
Meth argues that extreme price fluctuations make large differences to current income, and that a deflator that pays due account to, say, the income effects of this R13,4 billion should be used He produces one that suggests that the real value of mining output in 1980 was actually R7,5 billion, and in 1970 was R1,9 billion. He amends the gdp figures by this amount, producing an overall economic growth rate over the decade of 6%, as opposed to the official rate of 3,6% This obviously alters productivity (production per worker) figures

Economists argue that the real value figures for mining do not profess to measure anything more than physical output Meth, they say, is trying to produce a different figure — one that shows changes in real welfare They argue that current income — like the R13,4 billion in 1980 — is not ignored, but is picked up as it flows into higher real demand in other sectors of the economy. They add that *gross national product* measures, which do take account of large price fluctuations, are better indications of real welfare Meth counters that productivity measures generally use *gdp* and not gnp This, however, is not really the fault of the CSS

□ **Valuing manufacturing** In 1980, the CSS changed the base year for its manufacturing production index from 1970 to 1975 In the process, it revised its estimate of real growth in manufacturing between 1970 and 1979 from 2,6% to 5% This was the result of a modernisation of its weighting systems. The revised figures, says Meth, show that productivity in manufacturing rose substantially during the decade That this escaped critical attention was due to "a series of self-cancelling errors" which meant that the revised manufacturing figures did not change overall growth figures Meth claims that the overall growth figure between 1979 and 1980 was close to 5% as opposed to the official 3,2%

More telling and obvious, the 1982 edition of the authoritative SA Statistics produced by the CSS contains a gross and glaring anomaly Its index of physical manufacturing production clearly states that the base year is 1975 — that is, 1975 equals 100 But the table actually *omits altogether* both the years of 1974 and 1975, and makes 1973 the base year As it stands, the table is meaningless

□ **Valuing construction:** Meth demonstrates convincingly that the official statistics for the construction industry are internally inconsistent He concedes that the CSS is aware of this, but "do not know how to solve the problem" He claims that similar inconsistencies can be found in mining output figures and in pre-1980 manufacturing figures



MANUFACTURING (180)

Cooling costs

FM 29/4/83

As illustrated by the latest production price index (ppi), manufacturing costs, are now well into the kind of slower growth phase expected at this point in the business cycle

The ppi for February is up 11% on the year before, and 1% higher than in January It is an important indicator because it reflects what amounts to the industrialists' inflation rate. The ppi is to the manufacturing sector what the consumer price index is to the retail trade

It provides an indication of the future inflation rate for consumers because manufacturing costs have a direct influence on future retail prices The slower increase in production costs means less upward pressure on retail prices of manufactured goods

The figures for February released last week by the Central Statistical Services show that over the last four months, there has been a steady decline in the contribution imports have made to the rise in manufacturing costs This means that imported inflation — a common feature of cost push inflation — is making a smaller contribution to the SA inflation rate In November 1982 import prices were as much as 18,3% higher than in November 1981, compared to a 16,2% increase in the 12 months to February 1983 If the trend over the last three months is maintained for another nine months, the price of imported goods can be expected to increase by only about 6% in 1983

According to Adam Jacobs, economist at Volkskas Bank, there are three major reasons why increases in import prices are easing The first is that SA's trading partners now have appreciably lower inflation rates which means their price increases have declined Second, the appreciating rand is making imports cheaper and thirdly, recessionary conditions in the western economy as a whole make it easier for buyers to negotiate lower prices

The increase in local manufacturing costs is also slowing but not as fast as imported cost factors Jacobs explains that led by unit labour costs, unit production costs have continued to rise The cost of labour per manufactured unit began to decline, or at least level off, only early this year In 1981 it increased by 16% and in 1982 by an estimated 18,6% He says the cost of labour per manufactured unit rose last year because wage agreements settled late in 1981 were generous But at the same time utilisation of manufacturing capacity came off sharply as demand slackened and production volumes plummeted Wage agreements that became effective in January this year, were more closely related to the depressed state of the economy Where they were not, manufacturers laid off workers to reduce their wage bill In 1981 the country's wage bill increased by 23,9% and by 15% in 1982 The figure for 1983 is expected to be much lower

Jacobs adds that a time lag of this nature between declining economic growth and unit labour costs is a normal feature of the business cycle

FM 27/5/83

TAX ALLOWANCES

Making hay

180

An upsurge in capital expenditure in the next two years may be one of the consequences of the imminent abolition of investment allowances

These allowances, 30% on investment in plant and machinery and 25% on buildings, will be phased out respectively in 1985 and 1986 Announcing this in his budget speech a month ago, Finance Minister Owen Horwood added that increases in initial allowances would partially compensate for their disappearance Nonetheless, taking into account both higher initial allowances and existing wear-and-tear provisions, industrialists will in future be able to write off only 100% of the cost of fixed investment, instead of between 120% and 130%

Investment allowances, according to a local corporate analyst, are "basically gift deductions against taxable income, granted in the year in which new or unused plant and machinery or buildings are brought into use in a process of manufacture" Initial and wear-and-tear allowances, by contrast, permit the deduction over time of the entire cost of assets against taxable income

Spur to expansion

Maintained by Pretoria partly because of its drive for economic self-sufficiency, the investment allowances have been a spur to the expansion of local industry over the last decade The tax savings represented by them substantially alter the feasibility of planned projects in meeting hurdle rates of return "Now that many strategic production facilities are in place," conjectures an expert, "the need for the incentive is probably diminished"

However the timing of the abolition of the allowances could put a kink in the fixed investment cycle, as industrialists rush to make use of them before they disappear Projects shelved by the recession could be re-activated, even if new capacity cannot be utilised immediately. This in turn may bolster the construction and engineering sectors But after 1986, analysts say, the manufacturing sector may settle into a period of considerably lower capital expenditure, with widespread consequences like

- Less business for capital goods suppliers and financiers,
- Higher tax and reduced cash flow for companies that cut capital spending,
- High deferred tax provisions early in the life of a new asset (due to higher initial allowances) reversing more quickly than before,
- Lower financing demands, hence lower corporate interest bills,
- More efficient utilisation of existing facilities, and thus potentially higher returns on capital employed,
- Expansion more by way of acquisition and merger than by the building of new plant and machinery

The impact of the withdrawal of investment allowances on the published profits of certain companies — the large capital spenders — is not to be underestimated Most companies include the benefit from the allowance in earnings per share either in the year it accrues or spread over the life of the asset In its most recent financial year, for example, Barlow Rand's incentive allowance benefit of about R48m (most probably due to investment allowances) boosted its published earnings per share by 19% Amic's R38m benefit boosted eps by 20% and Sappi's R12m boosted eps by 20%

The Star Thursday

SA industry wants faster, greater reform

19/5/83 (180)

By Michael Chester

Big business is seeking sweeping amendments to the Constitution Bill that will ensure political and social reform goes ahead faster and far deeper than the commitments made so far by the Government

"We need to be assured of a firm timetable for reforms and see that any final legislation gives a clear picture of the ultimate scene for everyone", Mr Ron Ironside, president of the influential Federated Chamber of Industries, said today

The FCI, which had a special committee that had been pressing reforms over the past four years, applauded the Government's new commitment towards power sharing, but was still concerned about the speed and depth of change

Insistence should be made that new legislation laid down a strict programme for the various phases of development

A declaration was essential on the replacement of the present preamble in the reform proposals by a Bill of Rights setting out the basic minimum rights and freedoms of all individuals in South Africa

Also crucial was a more detailed definition of the proposed new powers of the President, especially on the appointment of representatives in various Houses, in the Cabinet and in the President's Council

"The concept of comprehensive checks and balances is central to the Western democratic process, and more of these should be introduced", said Mr Ironside in a formal statement

The FCI is also pressing Parliament to see that the free enterprise system is properly entrenched in legislation

"Industry, with well over one million workers, has far more day-to-day contact than most politicians with the frustrations and disappointments of so many non-whites", said Mr Ironside

"We are totally committed to the aim of bringing blacks into the business and economic mainstream We believe they are entitled so see what lies ahead at the end of the road".

Clairwood residents resent City Counc

'Leave us be . . .'

180

Report by MARIAH VENGTAS
Pictures by JIMMY HUTTON

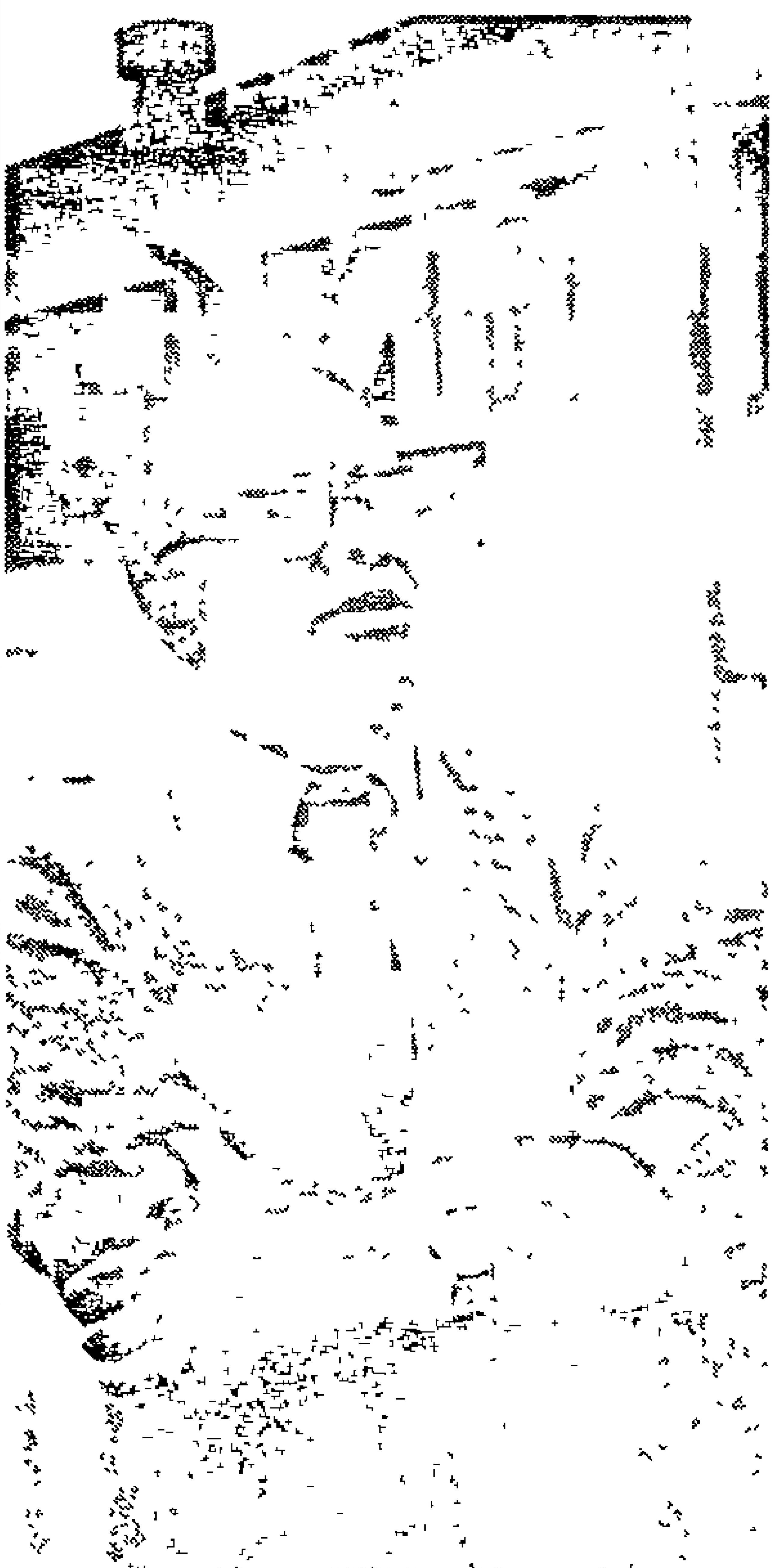
PEOPLE in Clairwood yesterday spoke of their resentment over Durban City Council plans to take over the area for industry

The sprawling complex — which was once the largest Indian settlement outside India — degenerated into a slum after the council imposed a ban on building development

This week's announcement by Mr Pen Kotze, Minister of Community Development to visit the area in the wake of mounting pressure against the uprooting of the families has given a glimmer of hope to many residents

Residents interviewed by the Mercury yesterday said they were strongly against moving as the area was convenient in all respects

Mrs Shireen Maharaj, a housewife, whose family had been living there for more than 10 years, said it was ideally suited because her husband worked in Durban and schools and shopping centres were within easy reach



However, an industrialist, Mr K Bal Ganesh, whose family was among the pioneer residents of Clairwood, said there should be a compromise between the council and property owners on the future of the area

'Part of the area should be allowed to remain for residential use,' he said, adding that he was opposed to further uprooting of settled communities

Survival

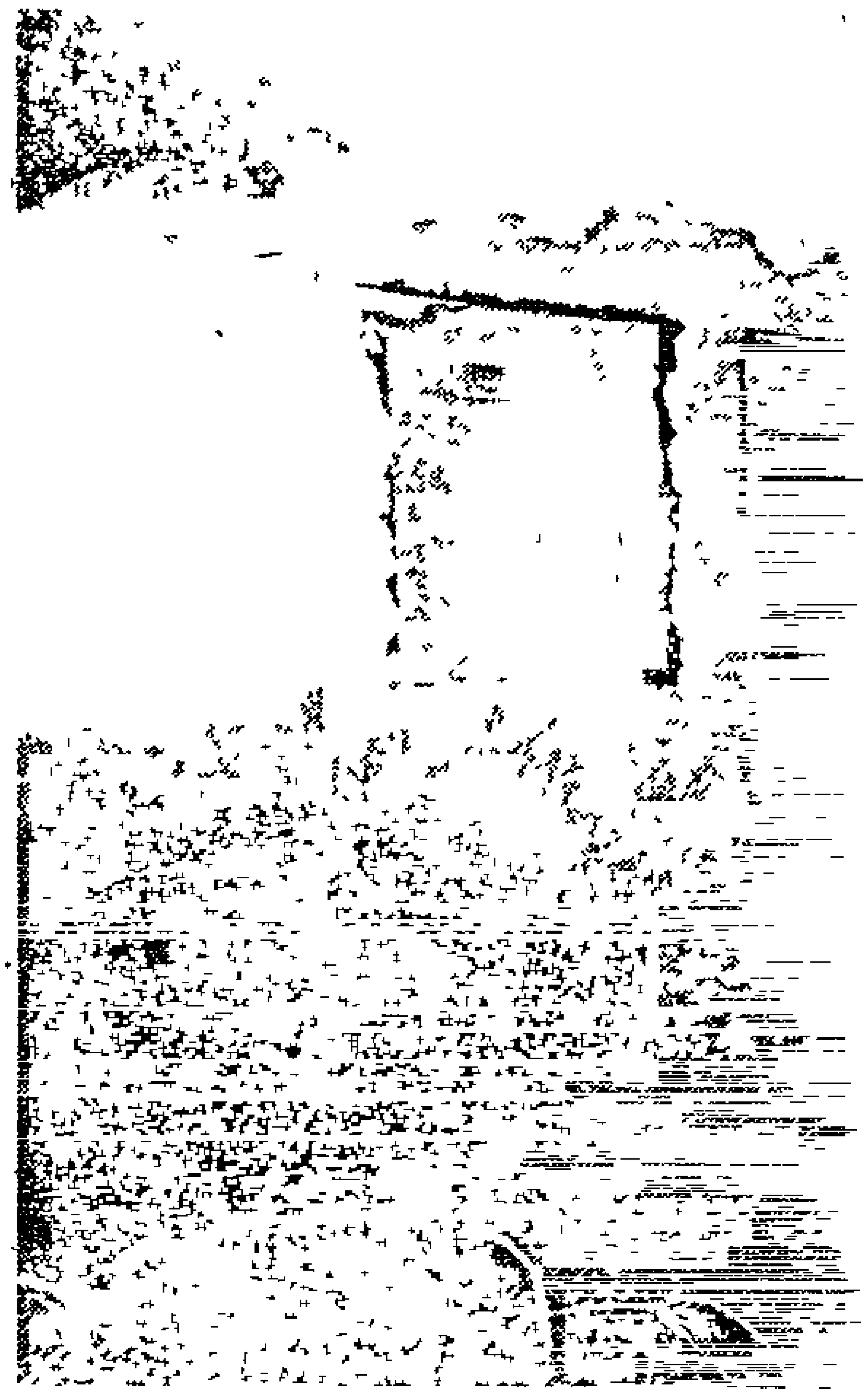
Mr R Maharaj, of Lockhat Road, had been living there since his birth more than 53 years ago He said it would be a sad day in his life if his family were forced out of the area to make way for industries

The battle for survival as a residential area goes back more than 30 years when the council first announced its industrialisation plans for Clairwood

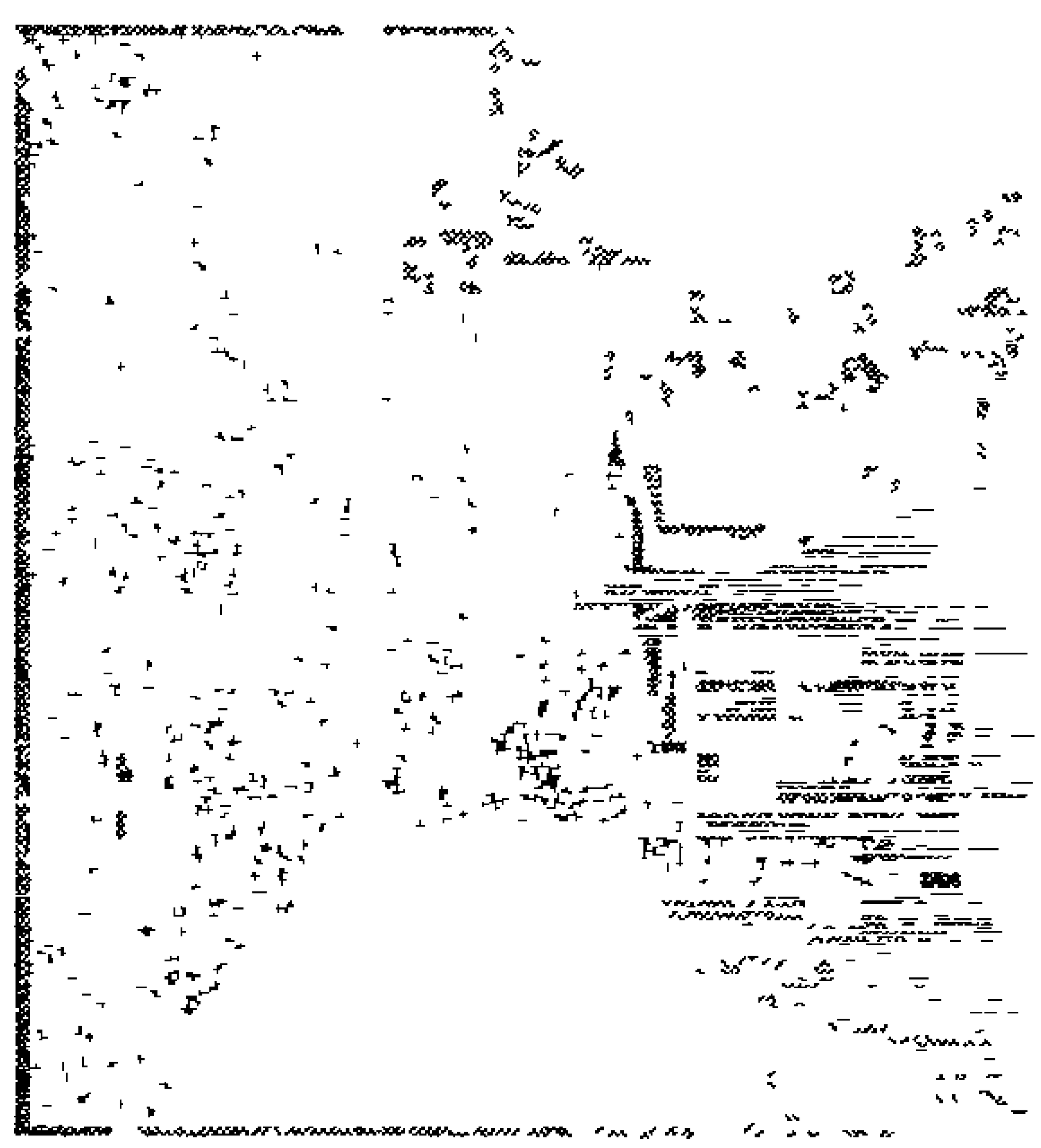
The bulk of the 100 000-strong predominantly Indian community was uprooted and resettled at Chatsworth, Merebank and other areas

So, too were a number of Hindu temples which came under the demolisher's hammer to make way for road development

Side by side with the lack of basic facilities — such as sewerage, proper drainage and roads — the council's freezing of building development led to most wood-and-iron hou-



Derelict buildings, vacated by Indian



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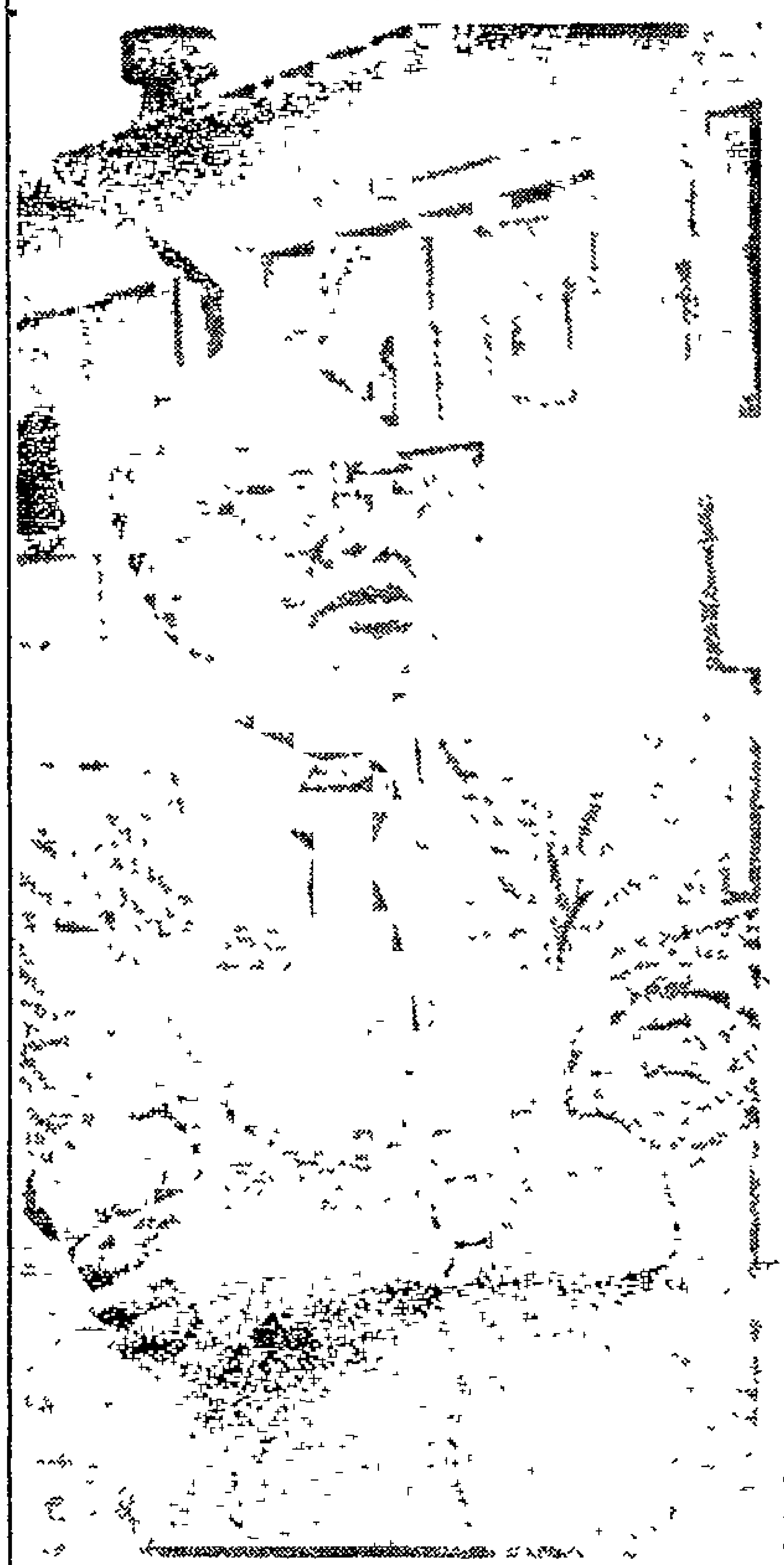

Industrialist Mr K Bal Ganesh . . . 'A compromise is needed.'

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Side by side with the lack of basic facilities — such as sewerage, proper drainage and roads — the council's freezing of building development led to most wood-and-iron houses falling into disrepair

And property owners who wanted to demolish their wood-and-iron homes and rebuild modern brick-and-tile houses were precluded from doing so in terms of the council ruling

'Harsh'

Slum conditions set in rapidly and many owners whose properties were condemned under the Slum Clearance Act were forced to demolish the buildings

The large number of sites still left vacant bear testimony to the harsh measures adopted by the council to uproot a settled community.

Despondent by the turn of events, some property owners were forced to sell their land while others are still clinging on to it in the hope of a rethink by the council

Meanwhile, Durban City Council has invited objectors to the proposed industrialisation plan for Clairwood to a meeting in Durban on June 3 Among the experts expected at the meeting will be Prof Ron Davies — a planning specialist from Cape Town

Derelict buildings, vacated by Indian

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PRODUCTION CAPACITY

Plenty to spare 180

FM 3/6/83

Activity in the manufacturing sector is maintaining its rapid decline Economists believe that utilisation of production capacity could soon drop below the 1977 low of 82,9% In February this year only 84,5% of the country's production capability was in use compared to 89,1% in February last year

Volkskas economist Adam Jacobs believes it still has some way to go Using the February 1977 figure of 82,9% as a guide, he reckons utilisation will bottom out in August at around 82%

Senbank economist Louis Geldenhuys agrees that the level of spare capacity could exceed the 1977 record But he sees inventory reduction as the major cause of falling capacity utilisation, although he stresses that falling demand is also an important contributing factor He believes that because corporations' cash flow problems tend to be at their worst when a recession is at its deepest, re-stocking on any scale will commence only in about February next year

Figures released by the Central Statistics Office reveal that manufacturers of consumer durables are hardest hit with spare capacity rising faster than the average annual increase of about 42%

For instance, spare capacity in the motor industry rose by about 75% in the 12 months to February 1983 Since February last year, demand for electrical machinery, which includes "white" goods, dropped by 94,2%, with spare capacity increasing from 11,7% in February last year to 18,2% this year

However it must be borne in mind that 90% and not 100% is considered to be full capacity — 100% being unattainable in practice

CITY/NATIONAL

Eastern Cape hit by 'strangulation'

ARGUS 8/6/83 (180)

Argus Bureau

PORT ELIZABETH — Industry in the Eastern Cape is faced with a "slow but sure strangulation" because of a lack of Government incentives

The managing director of General Motors South African, Mr Lou Wilking, was interviewed today following his appeal at the weekend for support in GM's request for Government assistance

Mr Wilking said that unless the situation was rectified, industrialists would inevitably in future locate new enterprises elsewhere in the country, which "this depressed area of severe unemployment can ill afford"

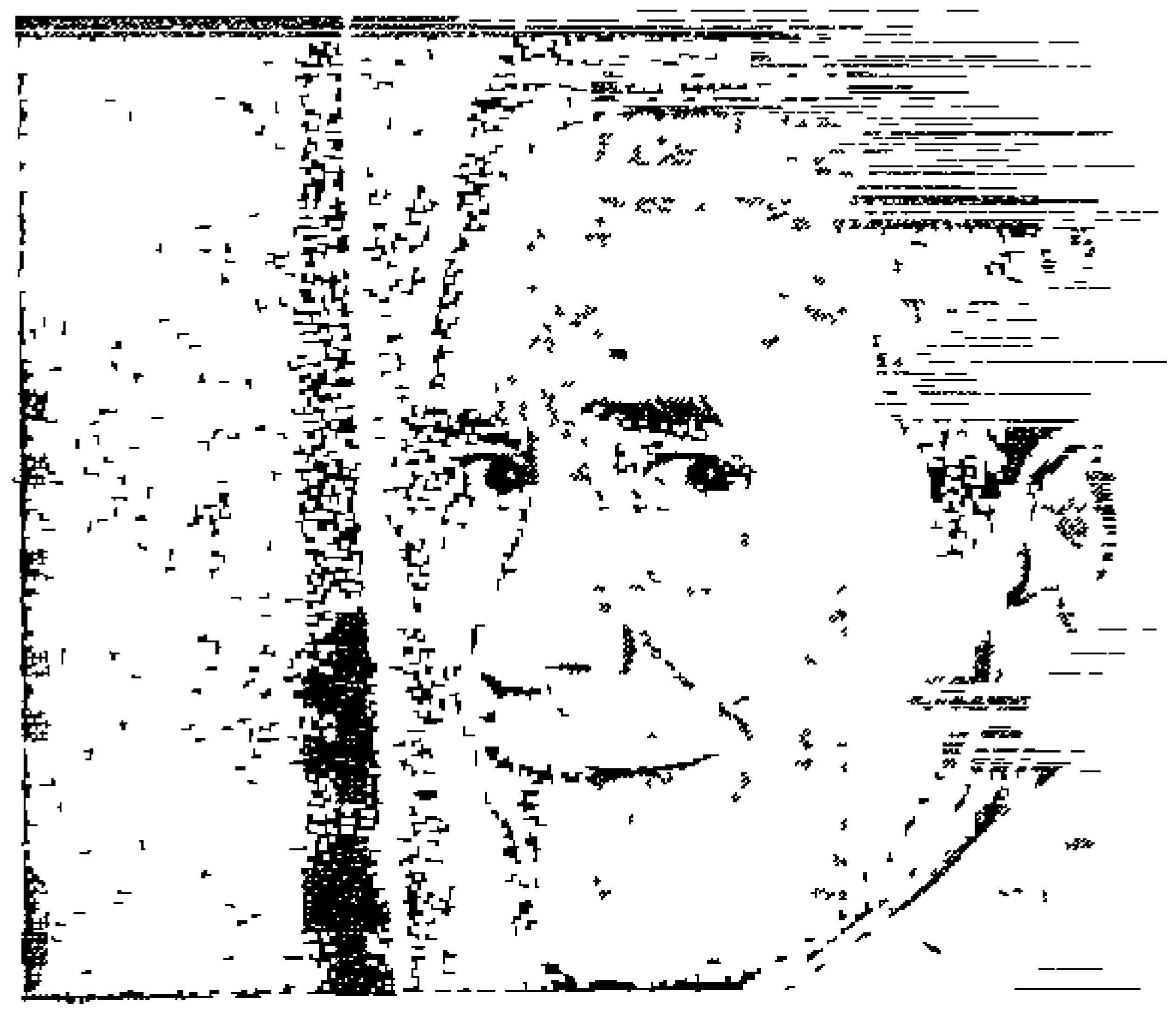
"Eastern Cape industry is not likely to see anything exciting happen here until there is a clear and concise programme on which for businessmen can act

"While the Government has taken some action to assist this region through the Decentralisation Board, it is not nearly sufficient to attract growth The electricty rate reduction turned out to be peanuts and the 20 percent rail rebate was largely cancelled by a 15 percent tariff increase"

While much growth was expected in the metropolitan areas in the next two decades and the major expansion was forecast in the Vaal Triangle, "the record shows that this area is still losing out"

"An independent survey forecasting South African capital projects over the next five years shows that less than one percent is scheduled for this area

"This relates to the existing gross national product contribution of between 4 and 5 percent for this region which illustrates the slow but sure strangulation with which we are faced



Mr Lou Wilking

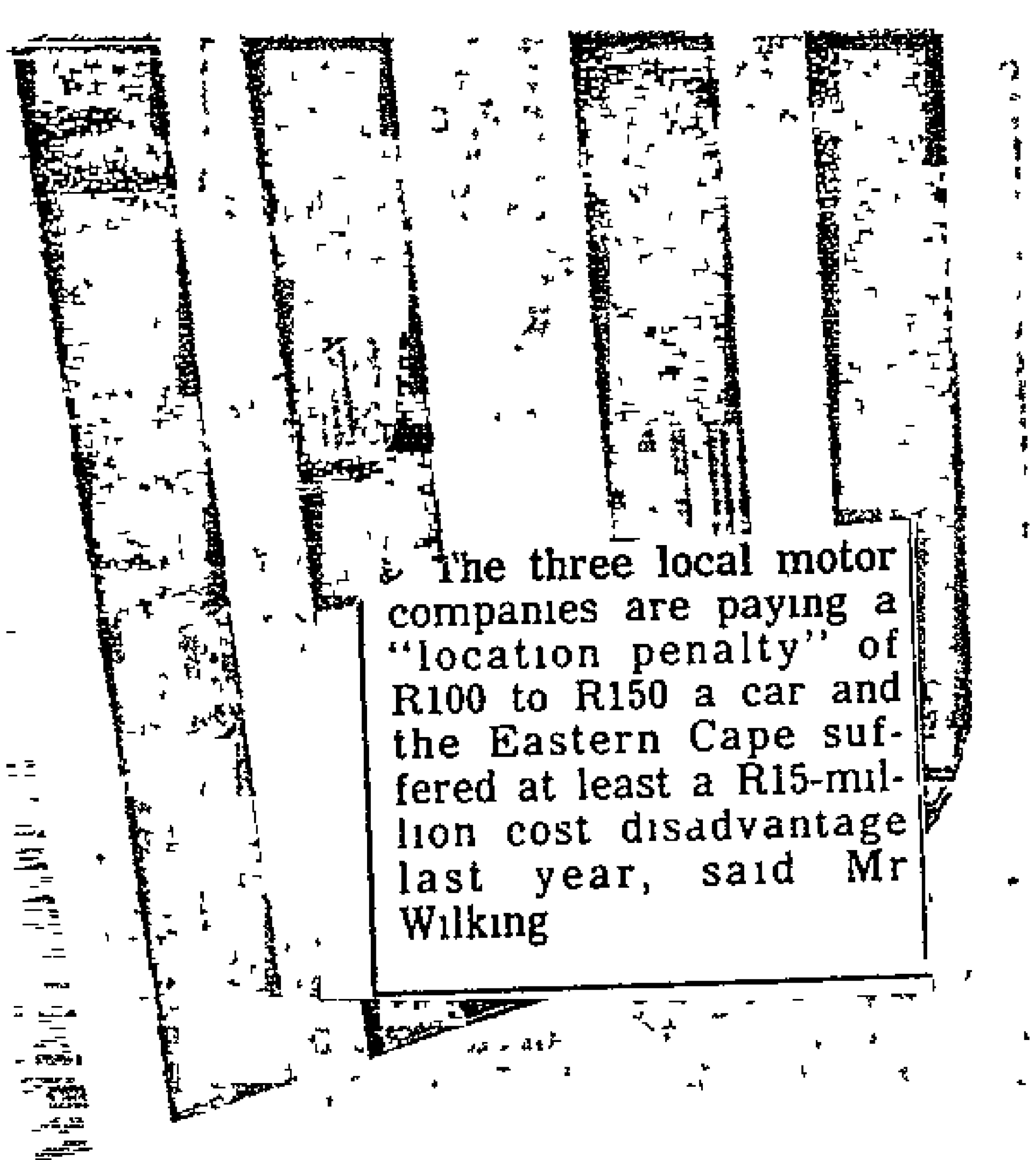
Statistics

"My company has provided statistics to support a paper from the Midland Chamber of Industries directed to the Decentralisation Board emphasising the need for further assistance

"The percentage of new sales for passenger and commercial vehicles and trucks has shown a massive decline in Port Elizabeth and Uitenhage for the three vehicle factories in the area"

The local share of the market was 62 percent in 1966 It dropped to 45 percent in 1980 and was 34,7 last year

Mr Wilking said that what was needed in the first place was cheaper transportation of products to the market areas as two-thirds of vehicles produced were transported to the Reef



The three local motor companies are paying a "location penalty" of R100 to R150 a car and the Eastern Cape suffered at least a R15-million cost disadvantage last year, said Mr Wilking

Reduction

It was also important that a reduction be obtained in transportation charges for incoming materials, he said

"It's quite ludicrous that we face a heavy transport charge for steel from Iscor and our competitors on the Reef have the benefit of not paying any transport

"Another example of our disadvantage is that while tyres and glass are produced locally, the prices were equalised on a national basis In other words, we're paying transport for tyres to the Reef

"And we don't benefit from the fact that certain component manufacturers are located on our very doorstep"

ARGUS 8/6/83

Louw pledge on Swartklip game removal

By MELISSA LANGERMAN
Environment Reporter

GAME in the Swartklip area affected by the new "black city" of Khayelitsha will be removed within days, says the Administrator of the Cape, Mr Gene Louw

Mr Louw was commenting on conservationists fears that the game would die if not removed very soon

The Department of Nature and Environmental Affairs would do everything to help in the scientific capture of the game and their removal to a place of safety, Mr Louw said

He was speaking during the Nature and Environmental Conservation vote in the Provincial Council yesterday

POACHING

This would prevent the poaching of about 60 confined animals or their capture in snares

In The Argus's repo[rt] yesterday on enviro[n]mentalists' fears for t[he] Cape Flats coastal are[a] Dr Neethling said t[he] area was lost from a [con]servation point of view

REPEATED

Mr Louw said D[r] Neethling had, during [an] interview, repeatedly [re]ferred to contact wh[ich] existed between him [and] the Western Cape A[dmin]istration Board

Dr Neethling had [said] it should be accept[ed] that the Cape Flats pre-eminently suitab[le] for housing and that t[he] should be accepted f[rom] a planning point of v[iew] Mr Louw said

The Province had provincial reserve [of] about 700 ha, also cal[led] Driftsands, which w[as] not affected by any [de]velopment

GREAT VALUE

Mr Louw said the r[e]serve was near the D[F] Malan Airport and —

SA's unpaid debts run to a record R18-m a month

W/E ARGUS 11/6/83 (180)

From MICHAEL CHESTER
Weekend Argus Correspondent

JOHANNESBURG — South African consumers and business firms are being hit by court orders to settle debts at the record rate of more than R18-million a month as the recession bites into family and corporate finances.

With the chain reaction of the cash squeeze hitting production and sales levels, the number of companies sinking in insolvencies and liquidations has increased by at least 25 percent compared with 12 months ago

A survey released this week by Central Statistical Services in Pretoria shows overall debts covered by court judgments were 47,8 percent higher than a year ago

Individuals' debts on which default and consent judgments are made have increased by an even more staggering 56,8 percent, from less than R10,4-million to nearly R16,3-million a month

The amount involved in judgments to settle private cash debts rose by more than 70 percent to R3,8-million a month in February, the most recent period analysed, compared with February 1982 The increase in bounced cheques was 85 percent, now running at R2,2-million a month

Retail debts

Consumers hit by court judgments in February alone were found to be in debt with retailers to the tune of R3,3-million, an increase of almost 40 percent

Consumers were ordered to pay out R1,7-million to settle arrears in hire purchase deals And the slide into debt problems is worsening as legal actions mount

The monthly average number of civil debt summonses, around 50 000 two years ago as the economic slowdown began, had risen to more than 88 000 at the last official count, nearly 20 percent higher than a year ago

Credit Guarantee Insurance Corporation reports that the average number of company bankruptcies is now running above 250 a month, compared with under 200 in early 1982

Mr Cliff Simons, marketing manager, reported that claims paid out on insurance policies seeking protection from bad debts had climbed to record levels

Slowdown

The corporation said early casualties included smaller companies in the clothing and t[illegible] trade, builders and [illegible]port firms

But a number of engineering firms have now also joined the list The cash squeeze — worsened by the burden still being carried by family budgets after the euphoric rush into hire purchase deals in the economic boom — now coincides with a slowdown in pay increases and double-digit inflation

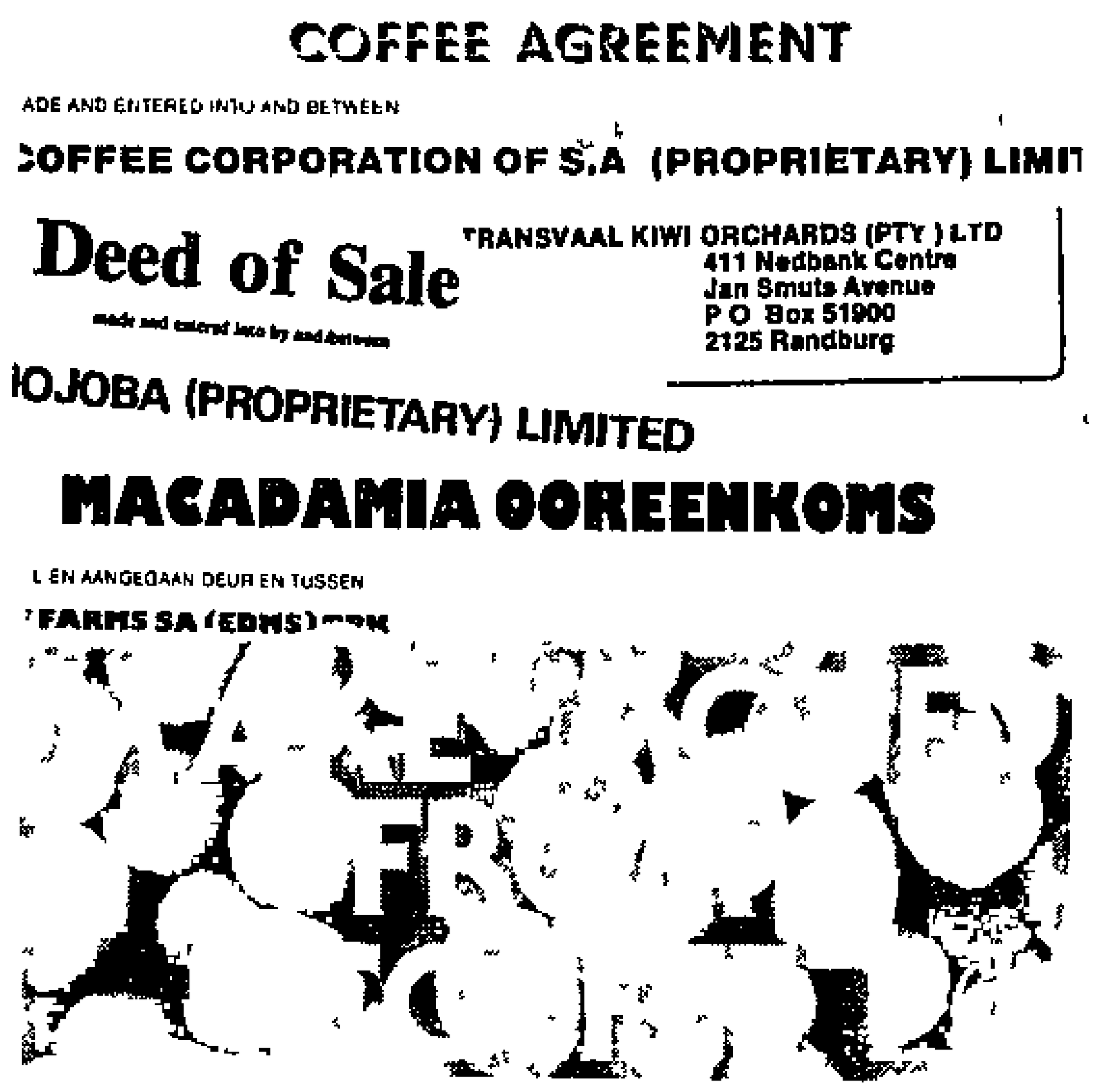
Dun and Bradstreet, which monitors the credit rating of about 70 000 firms in South Africa, has seen a dramatic increase in requests for information on the financial standing of buyers asking for credit in inter-company deals

180

Some directors are enjoying the good life

Farm 'rights' draw R40-m investments

By Colleen Ryan, Consumer Reporter



South Africans who invested fortunes in farm investment schemes more than a decade ago are still waiting for promised profits.

But despite disappointing results the farm scheme concept lives on — new companies are still accepting millions of rands from consumers.

The companies usually promote an exotic product such as coffee, kiwi fruit, jojoba beans or macadamia nuts

They promise to plant, maintain, market and sell the product on behalf of small investors

The investors can buy the "rights" to a certain portion of the crop and salesmen usually encourage clients to pay in instalments.

Financial experts have warned that many of the farm schemes can be regarded as high-risk investments and some agriculturalists have also expressed reservations about the feasibility of producing some of the crops

An attorney who has made an in-depth study of this field estimates small investors have invested close on R40 million in schemes in the last 12 years

He told The Star most investors had limited legal rights and would find it difficult to sue the companies involved

"The investors would have to be extremely wealthy to afford to take the matter to court

"It would be extremely difficult for investors to prove the companies owed them money as litigation would be complex," he said

One company which has disappointed some investors is Macadamia Finance, established about 12 years ago

Five thousand South Africans invested about R7 million in half-acre lots So far the macadamia speculators have had pitifully small returns on their investments

The company claims some investors have received profits but The Star has records of others who claim to have received no money from the company

"The truth is that investors were promised something that was impractical," said Mr Peter Dielwart, a financial adviser recently appointed to reorganise the company

"I do not believe the company's founders intended to mislead anybody, they just did not realise the complications involved," he said

Companies which have not been able to meet investors' expectations claim they underestimated the expenses involved in establishing farms

The Star has established that some companies' money has provided directors with comfortable lifestyles including top salaries, luxury homes and company aeroplanes

An example of favours for directors is a loan made to a former director of Macadamia Finance, Mr Charles Barrett

He borrowed R600 000 from Macadamia Finance and the loan was never repaid, Mr Dielwart said

● See Page 11.

answers. The use of ... able Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used

3 Names must be printed on each separate sheet (e g graph paper) where sheets additional to examination book (s) are used

... lator

3 No part of an answer book is to be torn out

4 All answer books must be handed to the commissioner or to an invigilator before leaving the examination

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

For written reply

Hansard Q. Col 1562 — 1596

Decentralization scheme

(180) 15/6/83

879 Mr A. SAVAGE asked the Minister of Industries, Commerce and Tourism

(1) How many applications for assistance to establish new industries in terms of the decentralization scheme have been (a) received and (b) approved in respect of each development region for the 1982-'83 financial year,

(2) what is the estimated number of vacancies that will be created in these new industries in respect of each region,

(3) what is the estimated value of assistance in the form of incentives that will be granted in respect of (a) transport rebates, (b) employment, (c) rental and interest subsidies, (d) housing subsidies and (e) relocation allowances over the period during which such incentives will apply,

(4) what is the total value of the (a) equity in the new enterprises to be established and (b) loan funds which the Government will make available to the new industries?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

(1) (a) Applications for regional indus-

trial development incentives are received from local as well as foreign entrepreneurs in respect of either the establishment of new projects at regional development points or the expansion of existing factories at such points or the relocation of existing factories from abroad or from the metropolitan areas in South Africa to the regional development points, as indicated on the application forms Separate particulars in respect of applications submitted under the different categories are not kept and where applications are also received from, amongst others foreign entrepreneurs, the applications cannot be grouped according to development regions

However the total number of applications received under the different categories was 861 during the period 1 April 1982 to 31 March 1983

(b) and (2) (As regards (2) it should be noted that the establishment or expansion of industries does not create vacancies, but employment opportunities)

Region	Number of Applications Approved	Expected number of Employment Opportunities to be Created
A	107	5 290
B	45	2 332
C	67	5 528
D	95	7 032
E	281	32 924
F	41	3 566
G	115	7 021
H	26	1 649
Total	777	65 342

NOTE The broad regions are as indicated below, but the figures which are shown here relate to the Republic of South Africa and the self-governing national states only and do not include the Independent National States (TBVC-countries)

A Western Cape Province

B Northern Cape/Western Transvaal/Bophuthatswana

C Orange Free State/QwaQwa/the District of Thaba Nchu of Bophuthatswana

D Eastern Cape/Ciskei/the southern part of Transkei

E Natal/kwaZulu/the northern part of Transkei

F Eastern Transvaal/KaNgwane/parts of Lebowa and Gazankulu

G Northern Transvaal/Venda/parts of Lebowa and Gazankulu

H Pretoria-Witwatersrand-Vaal Triangle/KwaNdebele/a part of Bophuthatswana.

(3) The 777 applications which were approved by the Decentralization Board, comprise the approval in principle only of the applications. The industrialists concerned then still take some time to erect factory buildings, install machinery, etc, either with their own funds or with borrowed capital The actual payment of concessions to industrialists whose applications have been approved, is done pursuant to claims which are submitted three months and longer after establishing The first claims in respect of which records are kept, have just recently started to come to hand

The expenditure connected with the concessions is, therefore, still difficult to determine in advance and estimates thereof can be very misleading at this stage

As soon as statistics of the actual expenditure become available, the figures will be made known

(4) The information is not readily available Please also see the reply to question number 882

Decentralization scheme

880 Mr A SAVAGE asked the Minister of Industries, Commerce and Tourism

(1) How many applications for assistance to expand existing businesses in terms of the decentralization scheme have been (a) received and (b) approved in respect of each development region for the 1982-'83 financial year,

(2) what is the estimated number of vacancies that will be created in these businesses in respect of each region;

(3) what is the estimated value of assistance in the form of incentives that will be granted in respect of (a) transport rebates, (b) employment, (c) rental and interest subsidies, (d) housing subsidies and (e) relocation allowances over the period during which such incentives will apply,

(4) what is the total value of the (a) equity in the new enterprises to be established and (b) loan funds which the Government will make available to the new businesses?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

(1) to (4) Please see the reply to question number 879

Establishing of industries

939 Mr A SAVAGE asked the Minister of Industries, Commerce and Tourism

(1) (a) How many applications for permission to establish industries were approved by his Department during the 12-month period ended 31 March 1983, (b) in respect of which places were these applications approved and (c) how many applicants will establish industries at each of these places,

(2) (a) what is the total capital investment involved at each of these places and (b) what is the total number of industries at each place with a total capital investment of (i) less than R500 000, (ii) between (aa) R500 000 and R1 million, (bb) R1 million and R2 million, (cc) R2 million and R4 million, (dd) R4 million and R7 million, (ee) R7 million and R12 million and (ff) R12 million and R20 million and (iii) more than R20 million?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM:

(1)(a) 777

NOTE The applications relate to the establishment or relocation of industries or the expansion of existing factories at regional development points in the Republic of South Africa and the self-governing states

(1)(b) and (c). (2)(a)

Industrial Development Points

Place	Number of applications approved	Capital investment involved R'000
Region A		
George	17	11 232
De Aar	2	,,
Vredenburg/Saldanha	6	2 434
Walvis Bay	1	,,
Upington	5	4 224
Region B		
Kimberley	13	8 384
Region C		
Bloemfontein	18	8 734
Harrismith	3	5 030
Phuthaditjhaba	32	22 528
Onverwacht	3	6 771
Region D		
Berlin	8	33 048
King William's Town	3	1 214
East London	52	140 698
Queenstown	8	10 176
Region E		
Ladysmith	23	36 763
Newcastle	9	401 507
Richards Bay	17	33 301
Empangeni	6	9 066
Ezakheni	10	32 420
Isithebe	105	168 193
Ulundi	1	,,
Region F		
Nelspruit	5	70 804
White River	7	6 153
Mkhuhlu	1	,,
Region G		
Messina	5	614
Pietersburg	20	25 182
Louis Trichardt	4	2 207
Potgietersrus	21	17 783
Tzaneen	10	10 926
Seshego	20	14 722
Lebowakgomo	4	4 883
Giyani	1	,,
Nkowakowa	12	6 425
Mamatola	1	,,
Total	453	1 104 774

Deconcentration Points

Place	Number of applications approved	Capital investment involved R'000
Region A		
Atlantis	46	89 436
Region E		
Pietermaritzburg	50	113 155
Tongaat	19	23 521
Region H		
Bronkhorstspruit	7	20 160
Brits	19	24 179
Total	141	270 451

Metropolitan Areas

Place	Number of applications approved	Capital investment involved
Port Elizabeth Uitenhage	Only the 20% rail rebate is applicable here and applications of 86 firms for payment of the rebate has been approved	

Other Industrial Points

Place	Number of applications approved	Capital investment involved R'000
Region A		
Worcester	4	4 085
Darling	4	10 671
Knysna	2	,,
Malmesbury	2	,,
Mossel Bay	2	,,
Oudtshoorn	2	,,
Region B		
Kuruman	3	795
Lichtenburg	3	1 654
Rustenburg	8	5 074
Vryburg	9	3 652
Region C		
Bethlehem	6	10 858
Region D		
Maclear	9	689
Stutterheim	4	2 086
Grahamstown	4	432

Other Industrial Points

Place	Number of applications approved	Capital investment involved R'000
Region E		
Colenso	1	,,
Dundee	1	,,
Greytown	6	2 527
Estcourt	5	27 273
Mjindi	1	,,
Mooi River	1	,,
Ngwelwzana	1	,,
Oudeni	1	,,
Kranskop	1	,,
Stanger	6	7 957
Verulam	5	5 781
Vryheid	2	,,
Port Shepstone	1	,,
Harding	1	,,
Region F		
Bushbuck Ridge	1	,,
Kabokweni	6	6 625
Lydenburg	4	329
Middelburg	2	,,
Saligne	1	,,
Witbank	1	,,
Region G		
Welgevonden	1	,,
Solomondale	1	,,
Phalaborwa	2	,,
Nebo	1	,,
Malepsoog	1	,,
Lenyenyee	2	,,
Letsitele	1	,,
Total	119	130 165

Ad hoc Cases

Place	Number of applications approved	Capital investment involved R'000
Region A		
Ashton	3	3 567
Calvinia	2	,,
Laaiplek	1	,,
Moorreesburg	1	,,
Prieska	2	,,
Niekerkshoop	1	,,
Riebeek West	1	,,
Swellendam	2	,,
Vredendal	1	,,

Ad hoc cases

Place	Number of applications approved	Capital investment involved R'000
Region B		
Sishen	1	,,
Hartswater	1	,,
Christiana	2	,,
Schweizer-Reneke	1	,,
Koffiefontein	2	,,
Reivilo	1	,,
Bloemhof	1	,,
Region C		
Ficksburg	3	1 662
Kroonstad	2	,,
Region D		
Aliwal North	1	,,
Fort Beaufort	1	,,
Kareedouw	2	,,
Longmore	1	,,
Patensie	1	,,
Komga	1	,,
Region E		
Port Dunford	1	,,
Tugela Ferry	1	,,
Ballengeich	2	,,
Howick	2	,,
Hluhluwe	1	,,
Mtubatuba	1	,,
Region F		
Hoedspruit	1	,,
Groblersdal	1	,,
Louws Creek	1	,,
Karino	1	,,
Siyabushwa	1	,,
Sabie	1	,,
Mayflower	2	,,
Marble Hall	1	,,
Brondal	1	,,
Ngodwana	1	,,
Barberton	1	,,
Lothair	1	,,
Region G		
Northam	2	,,
Magoebaskloof	1	,,
Naboomspruit	1	,,
Duiwelskloof	2	,,

Ad hoc Cases

Place	Number of applications approved	Capital investment involved *R'000*
Region G		
Tubatse .	1	,,
Ratombo	1	,,
Total	64	954 365
Grand Total	777	2 459 755

The information is not available for publication because of the confidentiality of individual applications.

(2) (b) The information is not readily available in the form asked for A similar analysis according to -regions is however furnished below

Extent of expected investment	Region A	B	C	D	E	F	G	H	Total number	Percentage of total number
R million										
Less than 0,5	43	24	35	56	74	23	65	10	330	42,4
0,5–0,9	26	12	15	12	79	6	21	8	179	23,0
1–1,9	18	5	11	14	50	8	15	3	124	15,9
2–2,9	6	1	2	3	27	1	7	2	49	6,3
3–3,9	3	1	1	3	15	1	1	1	26	3,3
4–4,9	4	1	3	—	9	—	3	1	21	2,7
5–6,9	4	1	—	4	15	—	2	—	26	3,3
7–9	2	—	—	1	6	—	1	—	10	1,3
10–19	1	—	—	—	3	—	—	1	5	0,8
20 and more	—	—	—	2	3	2	—	—	7	0,9
Total	107	45	67	95	281	41	115	26	777	100,0

Note· For a description of the broad regions please see note beneath the reply to Question No 879(1)(b) and (2)

Light industry sites 180
25/6/83
for Bushman's River

E. P. Post

Weekend Post Reporter

TWENTY-EIGHT sites have been allocated for light industry at Bushman's River Extension

Mr Bill Deacon, Town Clerk of Bushman's River, says "There is a demand for them all."

These will be the only industrial sites between Port Alfred and Alexandria, and they mark a new stage in the development of the fast-growing resort

Sites have already been reserved for builders' yards, building services, cabinet-making and the manufacture of concrete blocks Most are 1 950m² in area, and some are double plots

Mr Deacon is waiting for permission from the Provincial Administration to start selling the sites

180

Business goes for the Govt's 'gold'

30/6/83 Star

Investment of R2 000 million to create 65 300 jobs in one year is impressive by any standards — which is no doubt the impression Dr Piet Koornhof meant to convey this week when he announced the homelands' jobs scheme. But there are several questions about what happens between totting up work opportunities on paper, actual jobs created and the development it brings the homelands, reports ANTHONY DUIGAN.

Businessmen have seen a pot of gold waiting for them in the homelands and decentralised white areas The generous incentives offered those who set up in these areas have resulted in an avalanche of applications from local and foreign entrepreneurs who want to be there when the handouts are made

The 777 firms and businessmen who have applied to set up factories in either homelands or deconcentration points (industrial settlements in white areas on the peripheries of metropolitan zones) during the 1982/83 financial year are more than double the number of previous applications in any one year

The total investment envisaged in this package was about R2 000 million, the Minister of Co-operation and Development, Dr Piet Koornhof, said It includes the estimated investment by businessmen, loans by the Government and the cost of putting up factories

In other words, a cost of more than R30 000 a job compared with about R17 000 it cost the Corporation for Economic Development to create a job in the homelands during the last financial year

All told 65 342 jobs will be created if all those who have applied to the Decentralisation Board are approved and finally go into production, board chairman Mr Dougie de Beer said

However corporation sources doubt that even as many as 50 000 people will get work The feeling is that about 30 000 workers will finally be accommodated in the new factories which will take up to three years to go into production

"Quoting figures of R2 000 million and 65 300 jobs is misleading," a Government source said "But even so, if it ends up with half that number of jobs, it will still be good progress"

The new incentives offered businessmen to set up in decentralised areas had been responsible for the rush of applications, Mr de Beer said

"It is difficult to say just how many of these firms will actually set up business" In 1981/82 355 applications with a capacity for nearly 29 000 jobs were approved by his board The applicants were still ...ing processed so the final num... of jobs available was not yet known

Most of the 777 applications being processed are for white deconcentration areas Less than a quarter — 185 factories —are for the homelands (independent homelands are not included in the R2000 million scheme), Mr de Beer said

Many industrialists applying for the homelands have centred on Isithebe (KwaZulu) — 105, Phuthaditjhaba (QwaQwa) — 32 and Seshego (Lebowa) — 20

A debate has begun in some homeland circles about the real efficacy of the Government's incentive scheme In Transkei 60 manufacturing concerns employing about 12 000 workers have been set upe At 1983 prices, the public sector investment in factory buildings, loans and incentives to those firms amounted to R300 million or R25 000 a job. Investment from the firms has accounted for only one third of the total investment

"The annual cost of subsidising foreign firms operating in Transkei is about R15 000 or R1 000 a worker," a Transkei official said "Half this cost is borne by Transkei and the other half by the RSA"

With the generous incentives being offered there was no shortage of potential investors now but it was questionable whether the cash grants paid to those firms was really the answer to long-term development

In many cases all the firm contributed to Transkei was the wages — often appallingly low — which could be taxed and no value was added to the economy

"We have begun questioning whether we should not rather be spending more money on our own small business sector — there are 4 000 small, backyard manufacturers giving jobs to 6 000 people and contributing six percent of the demand for consumer goods — rather than on incentives to firms with no real roots in Transkei," the official said

Transkei needs more aid from SA

By Anthony Duigan

Transkei is to look for hundreds of millions of rands more aid from South Africa each year in an effort to overcome its cripplingly high unemployment level

This emerged in a policy speech to the Transkei Legislative Assembly yesterday by the Prime Minister, Chief George Matanzima.

Introducing the White Paper on development strategy for the next five years, Chief Matanzima said two-thirds of Transkei's male labour force, about 400 000, were migrants working in South Africa.

This number was unlikely to increase at anything like the annual increment of 27 000 entering the labour market

"Therefore a concentrated effort is needed to create employment and income in Transkei to avoid large-scale unemployment," he added

The system of budgetary support from South Africa which comprises R250 million in the current financial year would continue for years to come and Transkei was now working on a more realistic basis for negotiating this support

"It is Transkei's view that RSA budget support should be based on the contribution which Transkei migrants are making to the RSA economy and internal revenue in South Africa," Chief Matanzima said.

"In the White Paper it is pointed out that the contribution of migrant labourers to the Gross Domestic Product in RSA may be valued at R3 000 million a year. Of this, some R600 million went into internal revenue in RSA"

The total economic development cost proposed by Transkei over the next five years is R1 650 million at 1983/84 prices, most of which will have to come from RSA.

Kleu calls for new approach

180 Star 1/7/83

By Frank Jeans

In the highly-competitive world markets of today, South Africa, might have to give more attention to younger, more recently developed industrial economies, especially in the east, in its search for normal price structures, says Dr S J Kleu, chairman of the Board of Trade and Industries.

"If so, a country such as Britain may find it will have to face stiffer competition in the South African market place."

Speaking at a lunch of the South Africa Britain Trade Association (Sabrita) in Johannesburg, Dr Kleu said this country's foreign trade had shown a sharp rise during the past decade.

"Unfortunately, the UK's share of that trade declined significantly," he said.

"The share of South Africa's imports from Britain went down from 23 percent in 1971 to 15,5 percent in 1982, while the percentage of total SA exports to the UK declined from 26,7 in 1971 to 13,3 last year."

Dr Kleu said he hoped that one would not eventually have to say about South Africa-Britain trade what the Yorkshireman said about his 90-year-old mother. "The old lady is still batting but she is not running between the wickets."

Minister rejects farmers' call to drop protection

W/C ARGUS 30/7/83 (180)

By PHILIP VAN DER MERWE

THE Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, refused to bow this week to strong pressure from Cape farmers to abolish protection of local industries.

He told them the best way to push up South Africa's exports was to reduce the country's high rate of inflation

Dr de Villiers was speaking at the annual congress of the Western Cape Agricultural Union at a Sea Point hotel

He replied firmly to at times bitter criticism of Government policy by angry delegates who said the protection of local industry was costing farmers dear, especially in regard to exports

Some delegates claimed local industry protection was pushing up their production costs by as much as 12 percent and that certain items could be imported up to 45 percent more cheaply than they were made locally

Dr de Villiers said if South Africa's inflation rate remained more than twice that of Europe and the United States then the country's exporters would continue to struggle to compete in those markets

Government concessions to exporters to cover cost increases as a result of local industry protection were sufficient for them to make their export prices competitive

The protection of local industries which created jobs was essential if South Africa was to avoid the dangers posed by widespread unemployment

It was inconsistent for farmers to complain about protection of local industries when at the same time they were asking for protection against cheaper grain imports

Dilemma

But their position served to illustrate the dilemma in which the Government found itself

Farmers should realise they were being protected by the Government against imports of cheaper foodstuffs

Although consumers could argue that they could import certain produce cheaper than they could buy them locally, it would not be in the country's long-term interests to allow them to do so at the cost of local producers

Depression

By protecting local industries by means of selective tariffs on imported goods the Government was nevertheless allowing overseas goods to enter South Africa's market and compete subject to such tariffs

When comparing prices people should remember that the West was going through a depression in which there was overproduction and a temporary dumping of goods cheaply on export markets

Dr de Villiers also heard delegates blame decentralisation subsidies to industries, the cost of capital, unrealistic land prices and the slow decision-making of a centralised public service for harming the growth and profitability of agriculture

183 235 205 209 D. Dispatch 5/8/83

Mdantsane violence will affect industry — BCI

EAST LONDON — The killing and wounding of people in Mdantsane will almost certainly affect industry here today with workers caught between opposing forces in the bus boycott confrontation

Members of the executive committee of the Border Chamber of Industries attended an emergency meeting yesterday to discuss the effects the Ciskei unrest is having on industry in East London

The president of the chamber, Mr David Saunders, said it was decided to send urgent telex messages to the relevant authorities "appealing for immediate action to end the present impasse as soon as possible"

Mr Saunders declined to comment further or say how the bus boycott and unrest was affecting business in the city

The deputy commissioner of Railway Police, Major General C M du P Robbertze, said from Pretoria that no special action was being taken by railway police

"I understand that there has been intimidation of would-be railway commuters, but the incidents have taken place on Ciskei territory and is no concern of ours

"Naturally, we have men keeping watch on the situation and are on the look-out for any trouble on South African railway property," he said

General Robbertze said things would be different if there was any harassment of commuters on station property or on the trains

The regional chief of the South African Transport Services, Mr L du Toit, met with senior Ciskei cabinet ministers yesterday to explain what the railways were doing and were prepared to do to assist on the bus boycott

Mr Du Toit was asked to detail what lengths his department had gone to, to alleviate the transport problem that has arisen following the boycott

He said after the meeting that he had explained that the Mdantsane-East London suburban train service had been stepped up from eight to nine trains a morning and that sets have been increased from nine coaches to 12

Mr du Toit said only 5 000 to 6 000 commuters made use of the rail srvice daily, prior to the bus boycott "Now we have about 12 000 people travelling to and from work by train"

The divisional commissioner of policen Brigadier Jim Bekker, said his men were keeping a close watch on the situation and were on stand-by for any trouble spilling over onto the South African side of the border

"What is happening on the other side of the fence is their domestic problem but, we are ready for anything should it spill over to our side," he said

A spokesman for the Department of Foreign Affairs, Mr Kobus van Graan, said that as far as his department was concerned the trouble in the Ciskei was an "internal affair which has nothing to do with us"

"We do not want to get involved in a domestic issue which has nothing to do with us," he said

The Ciskei police liaison officer, Major G A Ngaki, said he did not know how long the state of emergency would remain in force

"The main points are a ban on people being on the streets between the hours of 10 pm and 4 30 am, people not being allowed to walk around the streets in groups of more than four, not more than four adults may meet in any home at any time, a blanket ban on meetings and garages, shops and other businesses to close from 7 pm until 6 am he said

Major Ngaki emphasised that disregard of any of the emergency regulations could result in fines of up to R2 000 or two years imprisonment

He said that residents who were employed on night-shift or only finished work at a time that would get them home after the 10 pm curfew could get special permits from the senior officer of the police at Mdantsane

"Employers of people who will have to break the ban can apply for blanket permits for their staff," he said — DDR

Threat to kill train rider

EAST LONDON — A CDA storeman said yesterday a policeman threatened to kill him if he tried to board a train at the Mount Ruth station

Mr Msindisi Duba, 29, said he was stopped about 150 metres from the station at 4 10 am yesterday by several policemen

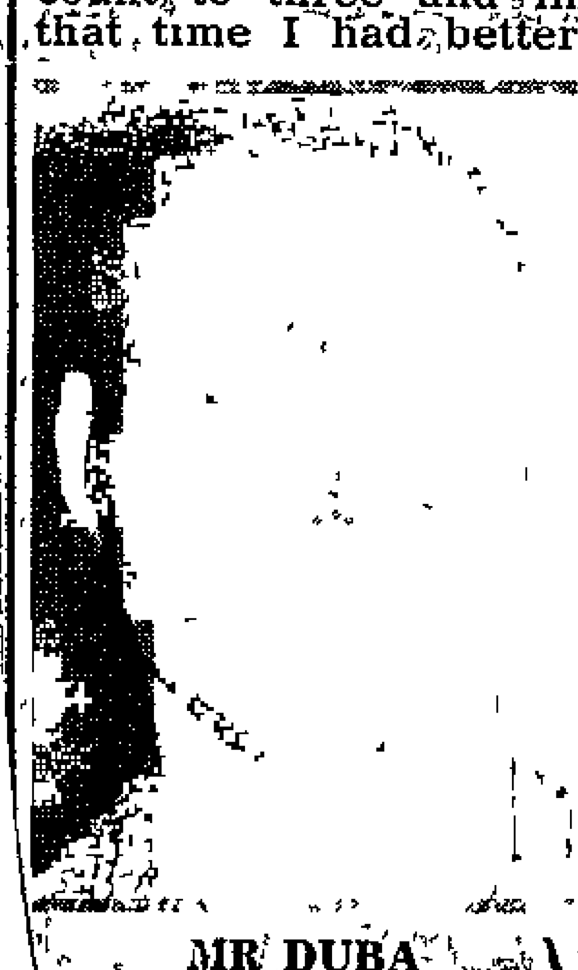
"One of them stepped forward and asked me where I was going I told him I was on my way to catch a train to work He told me to 'forget' about the train and that I must go by bus

"I always go by train and told him this

"He hit me over the back of the neck with his rifle and then pointed the barrel between my eyes and said if I refused to go by bus he would kill me

"He said he would count to three and in that time I had better run I did, and so did the people who were standing behind me also waiting to catch a train No shots were fired," Mr Duba added

Mr Duba said he then walked from Mdantsane to the CDA plant on the West Bank and arrived at work at 9 am — DDR



MR DUBA

CAPE TIMES 8/8/83 (180

...ists 1,8%

Lonrho also sold a number of "under-utilized property assets" in the six months

The directors say the improvement in profitability comes significantly from the group's UK holdings and from commodity-based activities in gold, platinum and sugar

In the year to end-September 1982, Lonrho received 34,8 percent of its profit before interest payable from UK sources

East and Central Africa provided 25,2 percent of Lonrho's profits while Southern Africa, where the company has gold, coal and platinum interests, was in third place contributing 20 percent of profits

Lonrho has declared an unchanged interim dividend of 3p a share Total dividends for the 1982 financial year were 9p a share

Demerger proposal

The directors say the value of the group's investment in House of Fraser Plc has increased substantially after the Harrods demerger proposal, instigated by Lonrho

"Lonrho is delighted that the House of Fraser shareholders supported, by a majority vote, the Lonrho ordinary resolution proposed on June 30, 1983 thus clearly indicating to their board that they wish the demerger to proceed

"Lonrho is confident that this view will prevail," the directors say

...rowers ...d over ...d imports

...mmercial timber growers were concerned at reports ... issued permits for the im... ... export fruit industry, the ...ation of Timber Growers' Anderson, said yesterday ...ern "inasmuch as this will ...ng the market for a sub... ...ing timber".

...the Deciduous Fruit Board ...per for its packaging re... ...siderably below the local

... protection is provided by ...ices on which this is based ...n to current world market ...he said

14% drop in output

By HAROLD FRIDJHON

JOHANNESBURG — Industrial output in South Africa continues to decline as the recession deepens

Total manufacturing production in the three months January to March 1983 was 14,4 percent lower than in the first quarter of 1982

The index of the physical volume of manufacturing production compiled by the Central Statistical Services dropped from 136,5 in the first quarter of 1982 to 116,9 in the same period of this year In March the index was 125,2 against 146 in March last year

Food production is the biggest component in the index and stood at 137,4 in March 1983, slightly lower than 139,8 a year previous

The production of beverages was 7,4 percent higher The only other industry to record any increased output was printing and publishing

Hard hit are the basic iron and steel industries, the second most important industrial group Their output in March was 21,4 percent lower than in March 1982

The non-ferrous basic industries showed a net decline of 18,8 percent. The production of machinery was 15,2 percent lower.

All the heavy industries were deeply affected

Reflecting the marked slowdown in consumption spending — other than on food — are the 23,1 percent drop in textile production, the 17,1 slump in the output of clothing factories and a 14,8 percent decline in the manufacture of shoes

Furniture production has held up relatively well. Output dropped by only 6,6 percent which is surprising because usually this is an industry which is among the first to suffer in an economic downturn

The pottery industry, one of the smallest industrial groups, has taken a very hard knock. Production plummeted 39,5 percent in March this year compared with the same month of 1982.

Sanland lifts profits

Own Correspondent

JOHANNESBURG — Sanland Property Trust lifted its net income to R6 937 545 for the year ended June 30 from R2 895 000 for the nine months to June last year

The final distribution has been set at 3,66c a unit for a total of 7,22c In the nine months to June last year Sanland distributed a total of 5,29c a unit.

According to the fund managers, Sanland Property Trust Managers, the trust performed satisfactorily during the year and benefited particularly from high interest rates ruling during the period

The acquisition of properties as planned after the rights issue has been finalized, and the re-organization of the property portfolio is continuing with a number of properties having been sold for a total of R3 230 000

According to the trust managers the funds will be used to acquire properties with a satisfactory yield and a sustained growth in income and unit value

Joint announcement by

Gencor Group

Sentrust Limited
(Sentrust)

and

U.C. Investments Limited
(UCI)

Proposed merger of Sentrust and UCI

Further to the announcement on 15 July 1983 Central Merchant Bank Limited on behalf of Sentrust and Barclays National Merchant Bank Limited on behalf of UCI are authorised by the Boards of Directors of Sentrust and UCI to announce that agreement has been reached on merger proposals which, if implemented, will result in Sentrust becoming a wholly-owned subsidiary of UCI The proposals will be effective from 1 July 1983, and the listing on The Johannesburg Stock Exchange ("JSE") and the quotation on The Stock Exchange, London ("LSE") of Sentrust ordinary shares will subsequently be terminated

THE CONSTITUTION — 2

Business reaction

Both the Federated Chamber of Industries (FCI) and the Association of Chambers of Commerce (Assocom) have welcomed several of the changes made to the Constitution Bill Does this mean that organised business is changing its mind about the constitution?

"No," says Assocom's Raymond Parsons Assocom s position has been consistent We welcomed the original Bill as a step in

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the right direction and the start of an evolutionary process of constitutional reform " Effectively, Assocom has worked on the principle that politics is the art of the possible It has made detailed and wide-ranging submissions on the Bill, and sees the latest modifications as catering for some of the concerns it has expressed

Parsons points to changes on issues such as property rights, the powers of the President, and the role of the courts Though questions of principle were excluded from the select committee's ambit, he says, "the improvements in matters of detail have resulted in a more practical measure"

Assocom says it will make representations again, about further desirable modifications, when the Bill is debated in Parliament next week But pending the submission of these to the appropriate minister, Parsons won't elaborate

The FCI's statement also reasserts support for initiatives towards reform in general, and also welcomes constraints on the President's wide powers and on the increase in the power of the judiciary

But the FCI president, Rod Ironside, went on to say that "the FCI believes that a golden opportunity has been lost to generate wider acceptability for constitutional reform in SA"

Ironside was referring to the chamber's urgings that the preamble to the Bill — which it regards as a vitally important declaration of intent — be amended The FCI wants a clear commitment in the preamble that serious attention will be given to the position of urban blacks and to the issue of statutory segregation

Such a commitment, it feels, will generate wider credibility for the reform process And of course such a commitment in the Bill itself would be further insurance that reform is designed to be an evolutionary process, rather than yet another granite power structure

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Reduced demand hits SA industries

By Finance Editor
DEREK TOMMEY

REDUCED demand resulted in the manufacturing sector operating at only 84 percent of capacity in May, Central Statistical Services reports

This compares with a capacity utilisation of 84,5 percent in February and 88,1 percent a year ago

Manufacturers said most of the reduced production was the result of insufficient demand

Altogether 13,5 percentage points of the 16,0 percent point underutilisation was attributed to this factor

Raw materials shortages accounted for 1,1 percent points, a shortage of white labour for 0,5 percentage points, and a shortage of black labour for 0,4 percentage points

GREATEST DROP

Greatest drop in output was in the engineering and transport manufacturing sectors.

Production of machinery, except electrical machinery, was running at 78,9 percent of capacity, while output of transport equipment, except motor vehicles, parts and accessories was running at 78,9 percent of capacity

The figure for plant utilisation in the motor vehicle, parts and accessories sector in May was 80 percent which was an increase on the 78 percent reported in February

Against this, manufacturers of wood products, except furniture were operating at 90,2 percent capacity in May and paper manufacturers at 91,3 percent capacity

LABOUR SHORTAGE

The figures indicate that under the impact of the recession the shortage of white labour in the manufacturing sector has eased significantly

In only four of the 27 sectors surveyed did a shortage of white labour have any significant effect upon production

The shortage was blamed for a loss in production of 1,7 percent in the tobacco products sector, 1,5 percent in the textiles sector, 1,1 percent in the metal products, and 0,9 percent in the printing and pbulishing sector

A number of sectors were affected by a shortage of non-white labour

MINERAL PRODUCTS

The sectors and the production loss attributed to the shortage were "other" non-metallic mineral products 1,2 percent, furniture (wood) 1,2 percent, leather and leather products 1,0 percent, clothing 1,0 percent and textiles 0,9 percent

May plant utilisation figures in percentages for the various sectors, with the year ago figure in brackets, are

Food 84,4 (86,6), beverages 84,6 (87,7), tobacco products 88,5 (89,2), textiles 83,4 (89,4), clothing 86,9 (90,8), leather products 88,1 (89,4), footwear 89,2 (95,6), wood and wood products excluding furniture 90,2 (92,0), furniture 86,7 (88,2), paper products 91,3 (93,9), printing and publishing 88,3 (91,2), industrial chemicals 82,7 (88,8), other chemicals 84,1 (85,9), rubber products 83,0 (89,7), plastic products 83,4 (85,0), pottery 85,8 (91,1), glass 83,0 (96,1), other non-metallic mineral products 84,2 (86,0), iron and steel 83,6 (88,4), non-ferrous industries 84,5 (86,7), metal products 82,5 (87,4), machinery 78,9 (85,0), electrical machinery 82,1 (87,7), motor vehicles, parts and accessories 80,0 (88,2), trasnport equipment 78,9 (83,9), professional and scientific equipment 89,4 (85,3), and "other" industries 89,3 (89,5)

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No manufacturing recovery yet, says Seifsa

By BRENDAN RYAN

THE STEEL and Engineering Industries Federation of South Africa (Seifsa) sees no general turning point in the fortunes of its manufacturing sectors before the first quarter of 1984 at the earliest

Director Mr Sam van Coller comments in Seifsa's survey of business conditions for the second quarter of 1983 that recessionary conditions remain firmly entrenched in the majority of sectors in the metal and engineering industries

He says, however, there has been some bottoming out in the basic iron and steel industries

"Major deterrents to any near-term stabilising of activities are seen as the continuing high rate of inflation, together with recent substantial increases in raw materials, energy and transport costs

"These constraints are impacting adversely on export performance and are seriously eroding the competitiveness of Seifsa's manufacturing sectors," he comments

The Seifsa quarterly survey confirms that new order intakes and order inquiries continued at depressed levels, underscoring the still severe downward phase in the overall economy

"In particular, the machine tool industry is currently experiencing the most severe depression in its history," the survey points out.

"The trend in employment in a number of Seifsa sectors also continued downward and some 72% of respondents advised production activity as slack, with an increasing tendency toward shorter working hours in the foundry industry, metal fabricating and most sectors of the non-electrical machinery industry"

Turning to exports, the survey says the recovery of the US economy and some improvement in the European Community are helping to maintain physical volumes of exports but at generally low prices

"Exports of steel and steel products showed some slight improvement over the poor first quarter of 1983 and South African steel producers, given a sustaining of the American recovery, now anticipate that 1984 will prove a better year for export markets with higher prices and improved volumes

"The export-intensive ferro-alloy industry continued to report unsatisfactory production levels and must look to some real upturn in steel production world-wide to acheive profitable levels of utilisation in its sophisticated plants for the production of ferrochromium and silicon manganese alloys," the report comments

Mr Van Coller says activity in the mechanical and structural engineering sectors continued to decline during the second quarter

Tendering became even more competitive and the situation was made worse by overseas competitors continuing to bid for work at low prices, plus the offer of attractive financial packages

The only sectors showing some promise are electronics and telecommunications, which advised Seifsa they were able to maintain relatively satisfactory performance despite cutbacks by the South African Transport Services and the Post Office

"In particular, the electronics components industry anticipates further growth during the second half of this year," the Seifsa survey says.

Volume of sales, production and orders received by the basic metals industries continued to decline in the second quarter

However, indications are that basic iron and steel production bottomed out at mid-year and volumes of production could be marginally higher in the second half of 1983

"Second quarter foundry output for all types of metal cast reflected continuing low levels, particularly as regards grey iron and steel castings

"Capacity levels remain at some 30% below normal production levels, with no turnaround seen until the first quarter of 1984

"Continued deferral of capital spending in the mining and energy-generating sectors, and in industry generally, is deepening recessionary conditions in the heavier sectors of engineering.

"In particular, the transport equipment sector is suffering from further cutbacks by the South African Railways for the supply of locomotives and goods wagons

"The shipbuilding industry reported a further drop in activity and the continuing absence of orders in the medium to long-term and increasing competition from overseas yards remain matters of major concern."

Hansard Q. Col 2095
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Land for industries/commerce/housing

1110. Mrs H SUZMAN asked the Minister of Co-operation and Development

(1) (a) How much (i) industrial and (ii) commercial land has been set aside in each Administration Board area and (b) how much of each is serviced already,

(2) (a) how much additional land was provided for Black housing in the urban areas in the latest specified period of two years for which figures are available and (b) how much of this land is serviced already?

The MINISTER OF CO-OPERATION AND DEVELOPMENT

(1) (a) and (b)

Administration board	Industrial land (ha)	Commercial land (ha)
Western Cape	1,72 (serviced)	24,65 (serviced)
Northern Cape	15,74 (partially serviced)	9,22 (partially serviced)
Eastern Cape	16,6 (3 serviced)	38,2 (serviced)
Port Natal	Nil	2,5 (2,34 serviced)
Drakensberg	Nil	0,6 (0,6 serviced but no electricity)
Southern OFS	±34,05 (partially serviced)	±34,18 (partially serviced)
Highveld	±8,64 (±2,56 serviced)	±6,80 (±6,50 serviced)
Orange Vaal	42,10 (11,85 serviced)	207,75 (110,0 serviced)
Eastern Transvaal	1,86 (1,02 serviced)	6,63 (serviced)
Northern Transvaal	Nil	Nil
Central Transvaal	47,43 (not serviced)	31,29 (20,18 serviced)
Western Transvaal	Nil	46,31 (34,13 serviced)
East Rand	104,4 (1,7 serviced)	±30 (serviced)
West Rand	25,45 (16,1 serviced)	14 (identified for future use)

Note. In respect of West Rand Administration Board the land is combined—industrial and commercial land.

(2) (a) ±8 309,5 ha

(b) +548,8 ha

(180) RDM 4/11/83.

Brits factories for small business

Property Reporter

GROUP Five Projects has completed two 1 500m² factories at Brits for the Small Business Development Corporation as part of a programme to provide accommodation for new enterprises

GFP, which was responsible for the project management on a total design and construct basis, built six slightly smaller factories for the SBDC at Rosslyn, Pretoria, this year.

The Brits premises have structural steel portal frames manufactured from universal beams, with galvanised fluted roof sheeting over sisalation Northern light is provided by semi-translucent vertical sheeting.

The concrete floors are power-float finished - Side walls are in fair face brickwork

According to Mr Dave Ford, project manager for both the Rosslyn and Brits contracts, modern project management techniques, including critical path analysis, played a major part in enabling the work to be completed ahead of programme.

Border Chamber of Industries

Recession a time to raise productivity

Reports by TOM LOUW Business Editor

EAST LONDON — The President of the Border Chamber of Industries, Mr David Saunders, yesterday offered his fellow-industrialists a recipe for surviving recession. an all-out effort to improve productivity

Mr Saunders was giving his report to the annual meeting of the chamber He said a brief economic survey of the membership had made it evident that there was still no sign of major growth of industrial capacity in South Africa He continued

"While a recession is an evil thing, I think that you will all agree with me that it has forced us to trim our respective ships, make every effort to improve our efficiency, devote more time to training our employees and have our planning ready for the next upturn in the economy

"Those of us who have survived the recession and will continue to survive are the ones who have made an all-out effort to improve productivity by improving our quality, training our labour and getting our cash flow right"

Mr Saunders said the process has not been easy "and we have certainly had to make some very painful decisions such as retrenchment programmes, which have meant that a lot of people have lost their jobs"

Earlier in his address Mr Saunders had indicated that estimates were of a drop of 8,5 per cent in the total work force employed by members of the chamber in 1983-84, after four years of steadily increasing employment levels

However, he added that retrenchment in the Border area had not been as high as in other parts of the country

He described the efforts to contain inflation as a plus factor but pointed out that even if the target figure of 10 per cent was reached by the end of the year, South Africa would still have more than double the inflation rate of its major trading partners

Mr Saunders said he had been disturbed to learn that motor assembly plants were still having difficulties with component manufacturers "If that is the case in a recession, then we are again going to see vehicle building programmes disrupted when the economy picks up"

He cited the favourable trade balance as another plus factor, despite the fall in the price of gold and other minerals It would take some time for the negative effects of the drought to be quantified, he said, and "all of us in industry hope that our colleagues in the agricultural sector will be able to make a speedy recovery"

Mr Saunders said the Kleu report on an industrial strategy for South Africa call for a considerable improvement in productivity, cost-effective investment in both the private and public sectors, and reduced protection for industry, except in the case of dumping

He suggested that the country's principal export potential still lay in minerals This implied that South African industry must still regard the domestic market as its principal market and everything possible must be done to expand the size of that domestic market

The underlying factor common to all successful trading nations was a sound basic education for all, Mr Saunders said

"South Africa will never achieve its full potential as a developed country until it can furnish its manpower skill resources," he added

Referring to the work of the chamber's committee on education and training, headed by Mr Mike Strong, he said the chamber was doing its best "to ensure that when the next upturn in the economy comes about, industry in this area will not be hampered by a shortage of work study engineers, skilled artisans and many other skilled jobs which hampered the last economic up-turn"

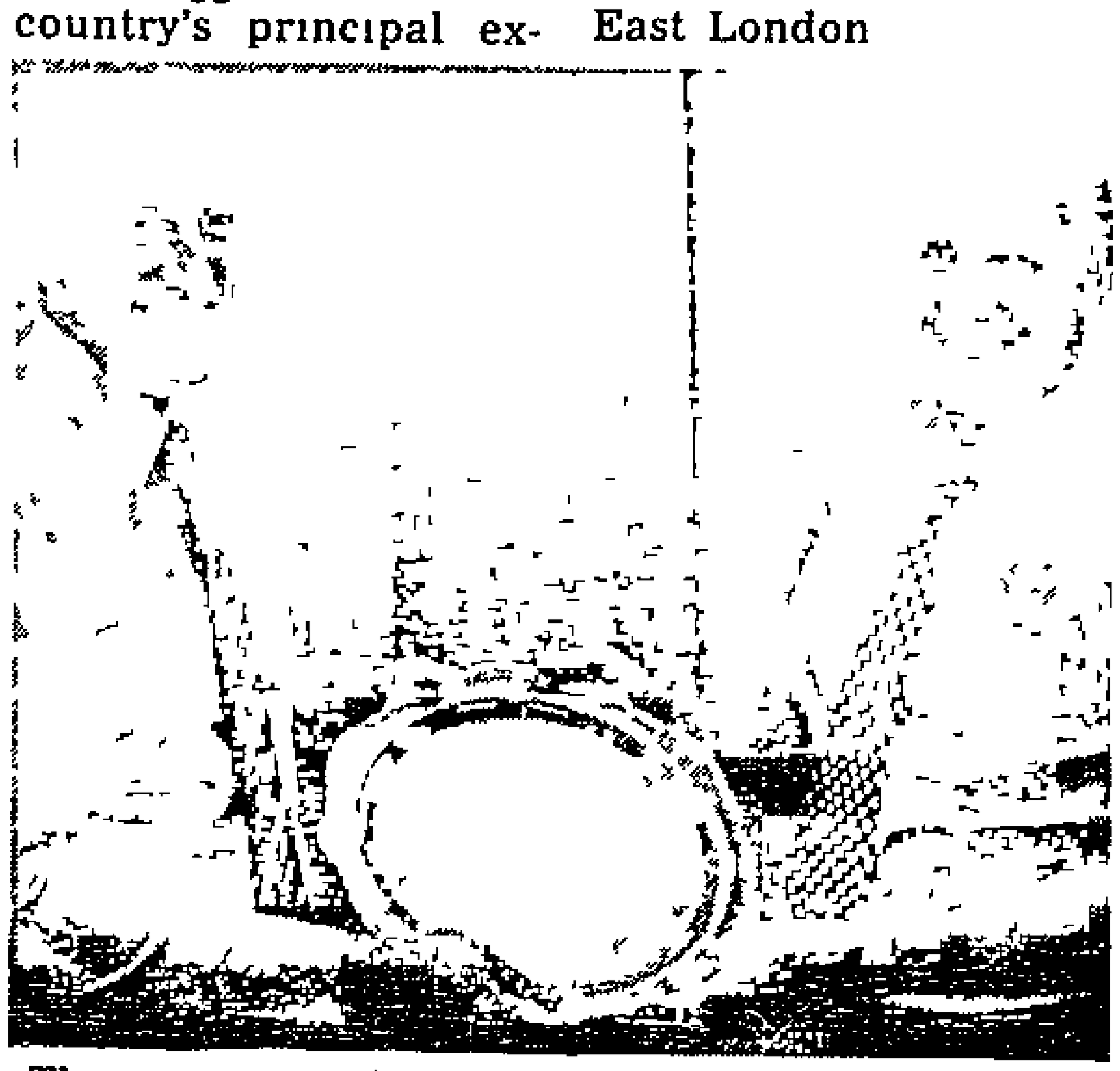
Mr Saunders appealed to chamber members to take a personal interest in the work of the Manpower and Management Foundation, and to take a positive attitude in trying to encourage the National Productivity Institute to locate in East London

Botha's work appreciated

EAST LONDON — The Border Chamber of Industries is to write to the former Minister of Manpower, Mr Fanie Botha, expressing regret at his departure and thanking him for the work his has done

The president of the chamber, Mr David Saunders, said at the annual meeting yesterday that Mr Botha and his Director-General, Dr P van der Merwe, had been instrumental in making sweeping and beneficial changes in manpower legislation

"On behalf of the members of this chamber I extend our sincere thanks for his splendid work in updating manpower legislation and thereby making a major contribution to the pace of industrial development in this country"



The new president of the Border Chamber of Industries, Mr Mike Strong (left) presents a silver salver to the outgoing president, Mr Dave Saunders

BCI rejects Sebe's speech

EAST LONDON — The president of the Border Chamber of Industry, Mr David Saunders, said yesterday the chamber "takes strong exception to President Sebe's speech in which he accused East London industrial firms of 'being behind the troubles in Mdantsane'"

Mr Saunders said "Judging from press reports, unfortunately I do not have a copy of his speech, he singled out for a personal attack a respected member of this chamber, Mr Leo Borman

"This chamber utterly refutes the alleged remarks of President Sebe, and emphasises the fact that in addition to their own in-house training facilities, organised industry in this area has promoted, supported and helped to equip many of the industrial training facilities which now exist in Ciskei

"In view of the fact that the South African Government and taxpayer are contributing much towards the promotion of industrial development in both Ciskei and the Border region, the President's remark will only frustrate those who are so genuinely involved in the promotion of industrial growth"

Mr Saunders said he would invite President Sebe to address members of the chamber so that members might learn at first hand how East London industrialists were behind the troubles in Mdantsane

"We are always willing to learn," he said

Immediate power rationing ruled out

JOHANNESBURG — There will be no electricity or water rationing in South Africa at present.

This has been disclosed by Dr Rudolph Fockema, chairman of the ad hoc emergency committee on water and electricity supplies, who said the recent rains had brought a great improvement in the level of the dams

"We no longer have the immediate necessity to implement water rationing and electricity rationing will certainly not come about in 1984," he told a Press conference held at Escom's Megawatt Park

Dr Fockema said the water situation would be reviewed at the end of January and he could not say what the electricity position would be like in 1985

Mr Ian McRae explained that electricity rationing was another form of water conservation — one of the options to be considered when water stocks run out

In spite of the recent rains the situation was still critical, according to Dr Fockema

Mr W J R Alexander, manager of scientific services at the Department of Environment Affairs, said there had been twice as much rainfall in the past two months than there had been the whole of last year

"In spite of the encouraging rainfall and river flows this season, we are not out of the woods yet and the department is not considering the lifting of the present restrictions at this stage," he said

Mr Alexander said there had been a dramatic improvement in the level of the dams The Vaal, for example, had risen from 28 percent to 36 percent in a week

However, he stressed that the level of the dam at present was far lower than last December when the Vaal was 49 percent full

Argus 8/12/83

Rain saves SA industry

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Argus Correspondent

JOHANNESBURG — Rain worth R2-billion has saved South African industry from disaster

That's the rands and cents value of the rain that has drenched the country in recent days culminating in the non-stop downpour earlier this week

Industry leaders had predicted damage to the economy of at least R2-billion in the first six months of 1984 if power rationing and cuts had to implemented

Other huge savings will be made in the agriculture sector where bumper crops are anticipated because of the uniform rainfall

In contrast with the past two seasons substantial agricultural exports are on the cards which will mean significant foreign exchange earnings

Maize planting is going on around the clock throughout the Transvaal and in many parts it is growing vigorously.

In some districts maize is already a metre high and according to farmers will soon be "as high as an elephant's eye"

But it is on the industrial front that the news is so welcome Escom has said that power rationing for 1984 and at least the forseeable part of 1985 are out

Water reserves in the Eastern Transvaal where 80 percent of the nation's power is generated have improved so much that power for next year is guaranteed, said Escom spokeswoman, Mrs Laetitia van Staaden

The Argus correspondents in the Transvaal and Natal examine the recent welcome rains in the provinces and outline the effects on the water supply and the economy.

In May stock-taking of potential damage to the economy listed exports, commuter transport, manufacturing, food production and mining as casualties of electricity cuts

The unspoken threats were those of civil unrest caused by numerous workers — white and black — out of work

Industry and Government leaders were extremely concerned about the power threat

A special committee was formed after an Escom-organised conference to examine the effects of cuts and make recommendations to the Government

The president of the Johannesburg Chamber of Commerce, Mr S K Ash, said he was very happy about the improvement of the water position and the implications for South Africa's economy.

Chamber of Mines technical adviser, Mr Gordon Grange, who had warned of losses in the gold-mining industry of R90-million a month if power was cut back by even 10 percent, said the news "is just great, very great for the country"

Credit had to go to the authorities who insisted on water conservation early in the drought

"Without that water saving we would be in trouble today — but now we have another year of grace"

Flow int…

Argus Corre…

JOHANNESBURG — … water into the Vaal … last two months was … amount for the whole …

This was said by Mr … ander, manager of s… vices at the Departm… ronment Affairs, a… conference

A spokesman for the … reau in Pretoria said … water into the dam in … November was 200 pe… the average for those …

In contrast, the fl… Vaaldam in 1982 was … the yearly average

"This flow of water… extent reflects the r… tion," the spokesman s…

Natal coul…

Argus Correspondent

DURBAN — Nata… could face tougher wa… ter restrictions, hy… drologists have warned … because the wors…

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Sunday Times

A BUSINESS TIMES SURVEY
December 11, 1983 Edited by John Tilston

TOP 100 COMPANIES OF 1983

HERE THEY ARE . . . THE TOP 100 COMPANIES

Position 1982	Rank	Company	EPS Growth	Market Sector
1	1	Toyota (South Africa) Limited	68,5	Motor
—	2	Welfit Oddy Holdings Ltd	64,9	Motor
6	3	B & S Steel Furniture Company Limited	62,1	Furniture & Household
7	4	Delswa Limited	57,3	Clothing, Foot Textiles
24	5	Rand Mines Properties Limited	56,0	Property
27	6	Suncrush Limited	49,2	Beverages & Hotels
—	7	Adonis Knitwear Holdings Limited	48,3	Cloth Foot Textiles
40	8	Union and London Investment Trust Ltd	47,0	Investment Trusts
3	9	Plate Glass and Shatterprufe Industries Ltd	46,4	Ind Holding
11	10	Associated Furniture Companies Limited	44,4	Furn & Household
53	11	Trade and Industry Acceptance Corporation Ltd	41,8	Banks & Fin Serv
10	12	Mooi River Textiles Limited	41,6	Cloth , Foot , Textiles
29	13	Sappi Limited	41,5	Paper & Packaging
45	14	South African Associated Newspapers Ltd	41,3	Printing & Publishing
—	15	New Central Witwatersrand Areas Ltd	40,9	Mining Holding
8	16	Saficon Investments Limited	40,7	Motor
34	17	Burlington Industries Limited	40,4	Cloth , Foot , Textiles
9	18	Mathieson & Ashley Limited	40,0	Printing & Publishing
35	19	Rennies Consolidated Holdings Limited	39,9	Industrial Holdings
18	20	CNA Investments Limited	39,8	Stores
49	21	Allied Technologies Limited	39,2	Electronics, etc
16		Television & Electrical Holdings Ltd	39,2	Furniture & Household
—	23	Sage Holdings Limited	38,6	Banks & Fin Service
22	24	Gypsum Industries Limited	38,2	Building & Construction
12	25	Gold Fields Property Co Ltd	37,3	Property
47	26	Cadbury Schweppes (South Africa) Limited	36,0	Food
31	27	Anglo-Alpha Limited	35,5	Building & Construction
65	28	Chemical Services Limited	35,3	Chemicals & Oils
—	29	Dorbyl Limited	35,2	Engineering
26		S A Bias Holdings Limited	35,2	Cloth , Foot , Textile
59	31	The South African Breweries Limited	34,4	Beverages & Hotels
—	32	Waltons Stationery Company Limited	33,9	Stores
86	33	Eastern Province Newspapers Ltd	33,6	Printing & Publishing
—	34	Mercatrust Limited	33,4	Industrial Holding
—	35	Witwatersrand Deep Limited	32,8	Mining Holding
69	36	The Unisec Group Limited	31,8	Ind Holding
15	37	Trencor Limited	31,6	Transportation
13	38	Anglo American Gold Investment Co Ltd	31,5	Mining Holding
76		Metal Closures Group South Africa Limited	31,5	Paper & Packaging
20	40	Amalgamated Retail Limited	31,1	Furniture & Household
79		Murray and Roberts Holdings Limited	31,1	Ind Holding
—	42	Northern Engineering Investments Africa Ltd	30,9	Engineering
—	43	Stewarts & Lloyds of South Africa Limited	30,1	Engineering
46	44	Consol Limited	30,0	Paper & Packaging
48	45	Aberdare Cables Africa Limited	29,9	Electronics, Electrical & Battery
52	46	Dunlop South Africa Limited	29,4	Motor
25	47	UC Investments Limited	29,3	Mining Holding
89	48	Chubb Holdings Limited	29,1	Engineering
80	49	First Union General Investment Trust Ltd	28,9	Investment Trusts
50	50	Romatex Limited	28,9	Clothing, Footwear, & Textiles
—	51	Ninian and Lester Holdings Limited	28,7	Clothing, Footwear & Textiles
33	52	B T.R South Africa Limited	28,2	Industrial Holding
—		Industrial Investment Company Limited	28,2	Industrial Holding
70	54	Metal Box South Africa Limited	28,0	Paper & Packaging
38	55	Sentrust Beperk	27,7	Mining Holding
92	56	Pretoria Portland Cement Company Ltd	27,5	Building & Construction
—	57	Common Fund Investment Society Ltd	27,4	Investment Trusts
60		Everite Limited	27,4	Building & Construction
54		Haddons Limited	27,4	Paper & Packaging
72		Pick N Pay Stores Limited	27,4	Stores
—	61	Congella Federation Ltd	27,3	Property
—		Volkskas Property Trust	27,3	Property Trust
57	63	Rex Trueform Clothing Company Ltd	26,9	Clothing, Foot , Textiles
—	64	Fintec Limited	26,8	Engineering
73	65	Ellerine Holdings Limited	26,6	Furniture & Household
85	66	The Lion Match Company Limited	26,3	Tobacco & Match
43	67	Blue Circle Limited	26,1	Ind Holding
14	68	Boumat Limited	26,0	Building & Construction
71		Grinaker Holdings Limited	26,0	Building & Constructiontl
87	70	Plascon-Evans Paints Limited	25,9	Chemicals & Oils
—	71	Rembrandt Group Limited	25,8	Tobacco & Match
32	72	Berzack Brothers (Holdings) Limited	25,7	Engineering
74		World Furnishers Group Limited	25,7	Furniture & Household
—	74	The Premier Group Limited	25,5	Food
97	75	Garlick Limited	25,2	Stores
68		Industrial Selections Limited	25,2	Investment Trusts
37		W & A Investment Corporation Limited	25,2	Industrial Holding
56	78	New Wits Limited	25 0	Mining Holding
—	79	Globe Engineering Works Limited	24,5	Engineering
—		O K Bazaars (1929) Ltd	24,5	Stores
75	81	Argus Printing and Publishing Co Limited	24,1	Printing and Publishing
64	82	National Selections Limited	24,0	Investment Trust
41	83	Federale Volksbeleggings Beperk	23,9	Industrial Holdings
67		The Tongaat-Hulett Group Limited	23,9	Sugar
44	85	General Mining Union Corporation Limited	23,8	Mining Houses
23	86	McCarthy Group Limited	23,4	Motor
5	87	Duro Industries Limited	23,2	Engineering
62	88	President Catering Supplies Limited	23,1	Furniture & Household
—	89	Foschini Limited	22,8	Stores
—	90	Highveld Steel and Vanadium Corporation Ltd	22,4	Steel & Allied
63	91	Seales Holdings Ltd	22,3	Cloth , Foot , Text
91	92	A E C I Limited	22,0	Chemicals & Oils
58	93	Gold Fields of South Africa Ltd	21,8	Mining Houses
51	94	Micor Holdings Limited	21,5	Industrial Holding
—	95	Woolworths Truworths Limited	21,2	Stores
—	96	Adcock-Ingram Ltd	20,8	Pharm & Medical
28		Free State Development & Invest Corp Ltd	20,8	Mining Holding
93	98	Barlow Rand Limited	20,6	Industrial Holding
—	99	South Atlantic Corporation Limited	20,3	Industrial Holding
—	100	Anglovaal Limited	20,0	Mining Houses

Rules of Top 100

BUSINESS Times annual Top 100 Companies competition is the only one ranking JSE-listed companies on long term performance.

The rankings attempt to show which companies, on the basis of normal trading, have performed best over the past five years.

So the measure we have chosen for the past 26 years has been average annual compound growth in earnings per share over five years.

Compiling the list, though, is a good deal more complicated than taking earnings per share in year one and those in year five and working out an average annual compound growth factor.

To reflect fluctuations in earnings during the five year period, the JSE listings department, which compiles the rankings, works out compound growth by means of a mathematical formula based on regression analysis.

By DAVID CARTE Sunday Times Business Editor

A company that has sustained a loss in year one and even a meagre profit in year five has shown infinite growth. Likewise a company that has had an abnormally bad year five years previously would automatically shoot towards the top of the list on even an average performance during the next five years

The object of the exercise is to reflect which companies, on the basis of normal trading, have grown fastest over the five-year period.

The anomolies mentioned defeat such an object and are therefore eliminated by the JSE.

Any company that has sustained a loss or had an abnormally bad trading year in the five year period is disqualified So is any company that has passed its dividend.

Of course it is not always easy to define an abnormally bad trading year, so the decision is not always without controversy

Some companies excluded on these grounds this year were Bester, Bromain, Caxton, Coki, Group Five, Masonite, Nictus, Oceana, Progress, Textile Mills and Toncoro

Mining companies are excluded from the rankings because mines are amortised, while companies depreciate fixed assets Earnings of the two are thus not comparable.

Banks are allowed to make transfers to hidden reserves before striking earnings figures Their profits can be up to 50% higher than published, depending on their conservatism and the trading climate

For this reason, they too, are excluded, though some analysts reckon there is a case for admitting Barclays and Stanbic to the rankings, as both are on much fuller disclosure than the others

Insurance companies' accounting procedures also vary greatly and disclosure is far from full and frank, so the two listed life assurers, Liberty and Ned-Equity and all the short-term insurers are excluded

Companies' year-ends vary greatly and this also causes headaches The Top 100 selection is based on annual reports dated from September 30, 1982 and received before June 30, 1983.

We must have a cut-off date The problem is that some companies' numbers are almost a year out of date. Ironically, some of the top companies are already not looking too good for 1983

Any company that underwent a major change in capital structure in the past five years, such as Hortors Trio-Rand, is also excluded for obvious reasons.

Obviously, if a company changes its method of accounting and its more recent earnings are not comparable to those of five years ago, it is left out. Companies thus excluded this year included Anglo American, Amic, Kanhym, Metkor, Powertech and Wesco

The one exception is where a company switches from the first-in-first-out (fifo) method of stock valuation to last-in-first-out (lifo)

Lifo is generally negative for published earnings, even though it is positive for cash flow because it saves tax. So the change initially prejudices companies in the Top 100 rankings After year five, when lifo earnings are again being compared with lifo, this disadvantage falls away

To avoid double counting, those companies which derive the bulk of their earnings from another operating company in the lists are also excluded. Examples of companies left out of the Top 100 for this reason are. African & Overseas, Berzack Illman Investment Corp, Fedmyn, Hesperus and Investors Coub. Proliferating pyramids would obviously also be excluded under this rule

The JSE does not automatically accept earnings as published by companies If a company sells a fixed asset and includes the profit or loss in earnings the amount is deducted from published earnings

This is because one of the objects of the competition is to show growth based on normal trading

Business Times' Top 100 has been based on compound growth in earnings per share over five years since Mr Fred Beard of Protea Holdings started computing the rankings 26 years ago

Lately, however, earnings have come into question as a measure of performance.

Some companies equity account the earnings of associate companies, others, such as Tiger Oats, do not and take only dividends to account, giving rise to material differences because of differing accounting practices

Some companies are on lifo, others on fifo Some take initial and investment tax allowances in the first year, others over time Some companies provide additional depreciation, others do not

The sugar companies effectively claim a return of 14% on revalued capital every year If they do not achieve this, they borrow the shortfall from the price stabilisation fund and declare earnings accordingly Because its year-end is out of synch with the sugar season, one sugar company estimates earnings for the second half of its year. Other industries, such as cement, also have unusual methods of computing earnings

Because of these problems, Business Times is contemplating changing the rules from next year.

It is determined however, that long term performance should continue to be the name of the game.

A possible solution might be to consider the total return for shareholders This would be simply and indisputably calculated by taking a share price at the end of the five year period, subtracting the share price five years earlier. This would give the cash capital profit to a shareholder over five years.

One would then add all dividends paid by the company in the five year period to get a total return This could be related to the cost of the share five years earlier. That would give the cash percentage return to shareholders To offset share prices being at abnormal levels because of rumours or other factors, one could weight the share price performance and the dividend performance equally or 60-40.

Regression analysis could be used to ensure that share price and dividend fluctuations during the period are reflected

The beauty of this system is that companies will get recognition for performing for shareholders over the long term That's what managements are for and that is what business is all about.

A company that has lifted its earnings spectacularly over a five year period would still receive recognition under the proposed new rules — provided the market believed in those earnings On the other hand, a company that is perceived to report conservatively would also get recognition

Accounting systems would not matter and one could bring into account banks, insurance companies and even mining companies, though violently fluctuating mine share prices might present a problem.

To some extent, the above proposal would be switching from an accountant's appraisal of a company's performance to the shareholders' appraisal of its future performance But taking into account dividends paid would build in actual historical performance

Some companies could shoot up the rankings because of takeover rumours or other special situations but new rules could obviate this. Thinly traded stocks would present a problem as their shares move violently on small trade, so it may be necessary to insist on certain volumes trading.

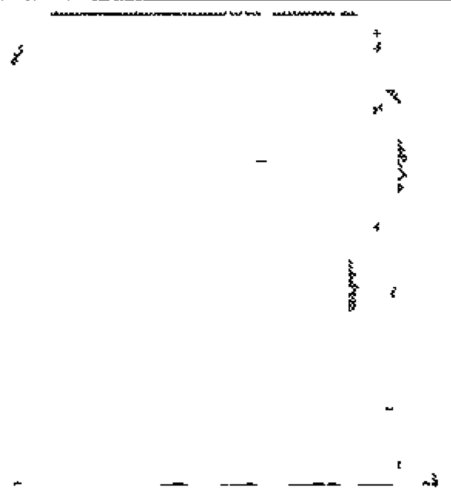
Some experts we have consulted reckon there should even be risk adjustment Some reckon we should use both systems

The chances are that the new formula will be fairly complex — but so are earnings today And we are already using a fair amount of discretion

We are aware that there are company chairmen all over South Africa proud of the Top 100 certificates they have earned during the past 26 years So we shall not change the rules lightly

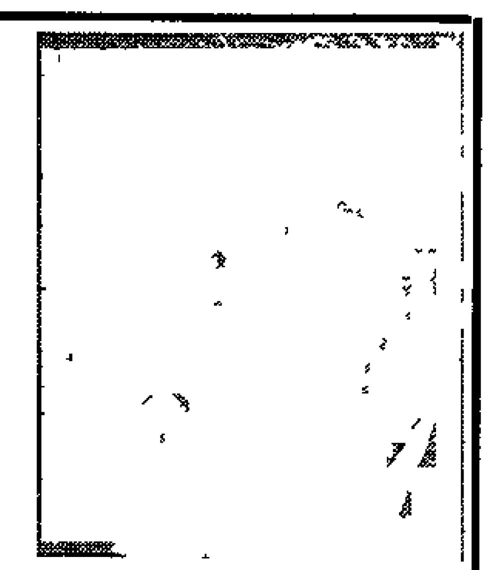
We have written to the SA Institute of Chartered Accountants, the departments of accounting at several universities, to insurance and merchant banking investment experts, stock brokers and many top business people canvassing their views

We would like yours as well before making up our minds on next year's Top 100



Dr ALBERT WESSELS
Toyota chairman

Toyota leads the pack again



Mr COLIN ADCOCK
Toyota MD

A SECOND hat-trick for Toyota! This company won the Top Company award for three years in succession in 1969, 1970 and 1971 and has now done it again, winning 1981, 1982 and 1983

In the past five years, Toyota has pushed up its share of the total vehicle market from 12,5% to 23%. The Corolla is number one seller among passenger cars and the Cressida number two

This has never been achieved anywhere else in the world

Report by DAVID CA

As one competitor says enviously "Everything kept going right because they kept doing everything right They had great new products during the big upsurge in demand for vehicles of the past five years — and they had the production capacity They are damn fine marketers as well"

Toyota's MD, Colin Adcock, was MD of Lindsay Smithers, then the biggest advertising agent in the country, before switching straight into the hot seat at Toyota, at Dr Albert Wessels' behest

"When I moved in, I remember clearly, the share price dropped"

From 1977 to 1983, the share has rocketed from 140c to a recent high of R35

One of the reasons for the company's success, Adcock reckons, is marketing awareness throughout the company, from the marketing office down to the designers and out among the dealers

"Marketing is not a division It's a total management philosophy," says Adcock "We don't make what we love We make what consumers want"

To establish what consumers want, Toyota sends out questionnaires to half the buyers of its products three months after they have bought a vehicle asking them if they are happy with it — and, more important, what improvements they can suggest

Another secret has been Toyota's international dedication to quality

"The ultimate outcome of productivity is quality, not just cost savings"

Toyota's winning products have been the Corolla, the Cressida, the Hilux and the Hi Ace The former two passenger cars are available in a variety of models and span the price range from low to medium-high The Hi Ace has become the most popular taxi for blacks

Some of the models which have made Toyota a market leader

All these products offer reliability and value for money and have gained strong acceptance in the black market

Adcock reckons the white motor market is close to saturation, as whites in this country own more cars per capita than any other, with the exception perhaps of the US He reckons it was growth in the black market despite the recession that prevented much of a slide in motor sales in the past few months

Bearing in mind that blacks have taken the brunt of recession, unemployment and reduced overtime, this bodes well for Toyota in a recovery

Other manufacturers have tended to have a greater variety of basic models and this has undermined their cost efficiency

Toyota's range attracts more down-to-earth buyers and this makes the company less subject to the whims of fashion than most

The car is basically hassle free Adcock admits to having been unable to satisfy only one complaining customer in 11 years

"He said the car kept jumping all over the road Our technical blokes examined in carefully and could find nothing wrong A number of years after the first complaint the guy phoned me to say the car was still jumping all over the road — after 400 000 kilometres"

While Toyota has performed well enough to win this award convincingly, its earnings this year are down quite markedly on last year And its compound growth rate has been depressed significantly by its switch two years ago to lifo

Main reason for the slump in earnings recently has been the rand's softness against the yen This pushed up the cost of imported components Also, we presume, because Toyota has been operating on thin profit margins to win and keep market share

Judging by the interim result and Mr Adcock's unabashed optimism, Toyota could well be the one to beat next year, no matter what the measurement criteria

During the recession of 1977, profits in common with those of all the motor makers, fell out of bed Toyota and its parent, Wesco, found themselves in a cash squeeze that they have never forgotten

Since then, a large part of each year's earnings have been retained Dividend cover one year went to a stock market record of more than seven The policy has paid off Not only has the dividend kept pace with inflation, today borrowings are low and will stay that way even though the company is spending R190-million on new tooling and expansion of its plant

Conditions in retail markets are expected to deteriorate further before improving The rand has gone even softer of late So 1984 could be extremely difficult for Toyota

But there is no reason to expect its astonishing market share to deteriorate significantly, for all the volume producers, with the exception of Ford, are up against it today

Sigma battles to turn around monumental losses Datsun is still looking for the model that will set the market on fire General Motors has marketing problems of its own

Ford alone, among the volume producers, looks in a position to challenge Toyota in the short term Its Sierra range has taken off like hot cakes on the strength of a brilliant launch that made the most of its high technology

Now, to stay in the race with Toyota for market share, it has to prove that it has the same staying power as its Cortina range

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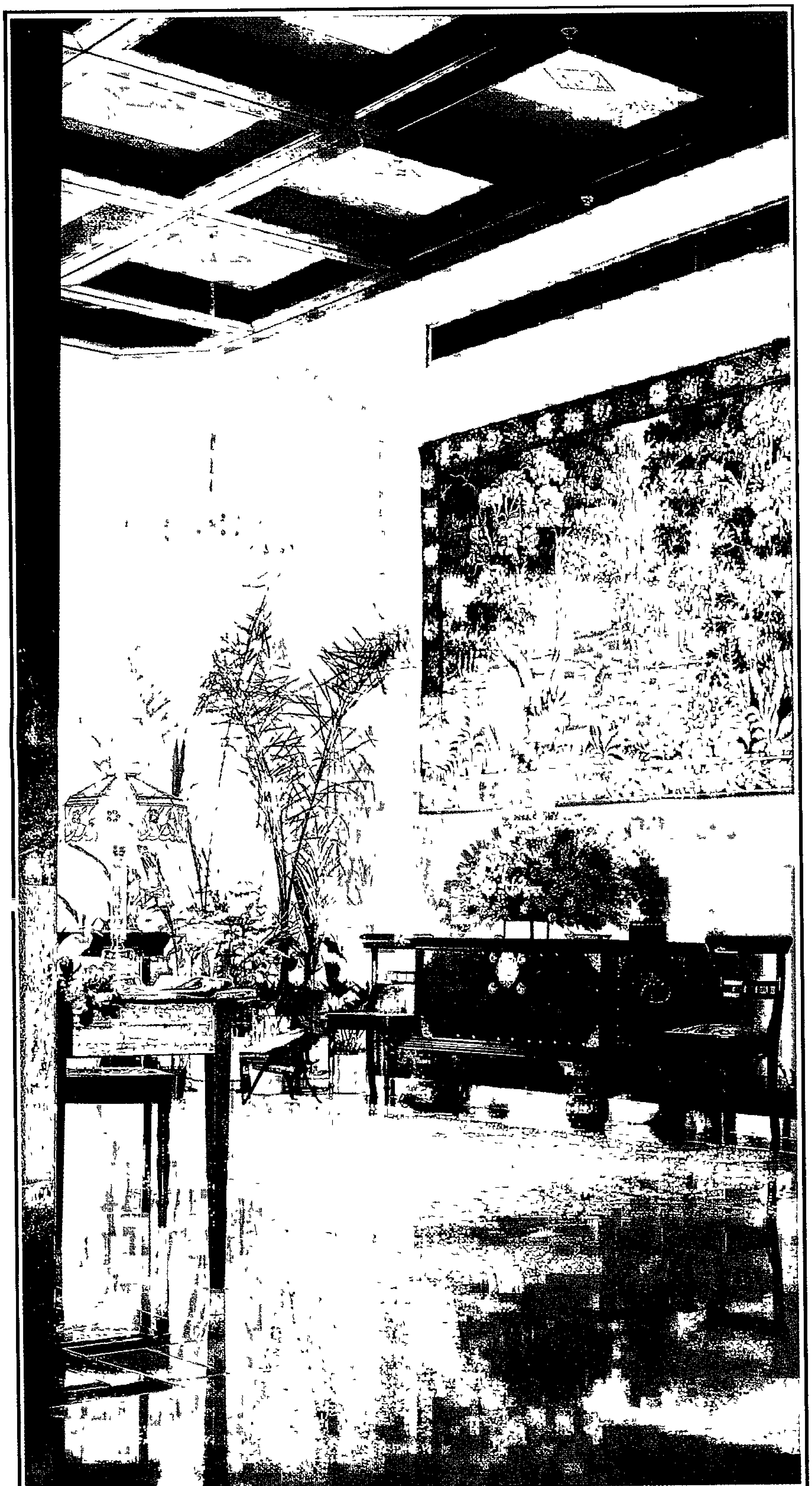

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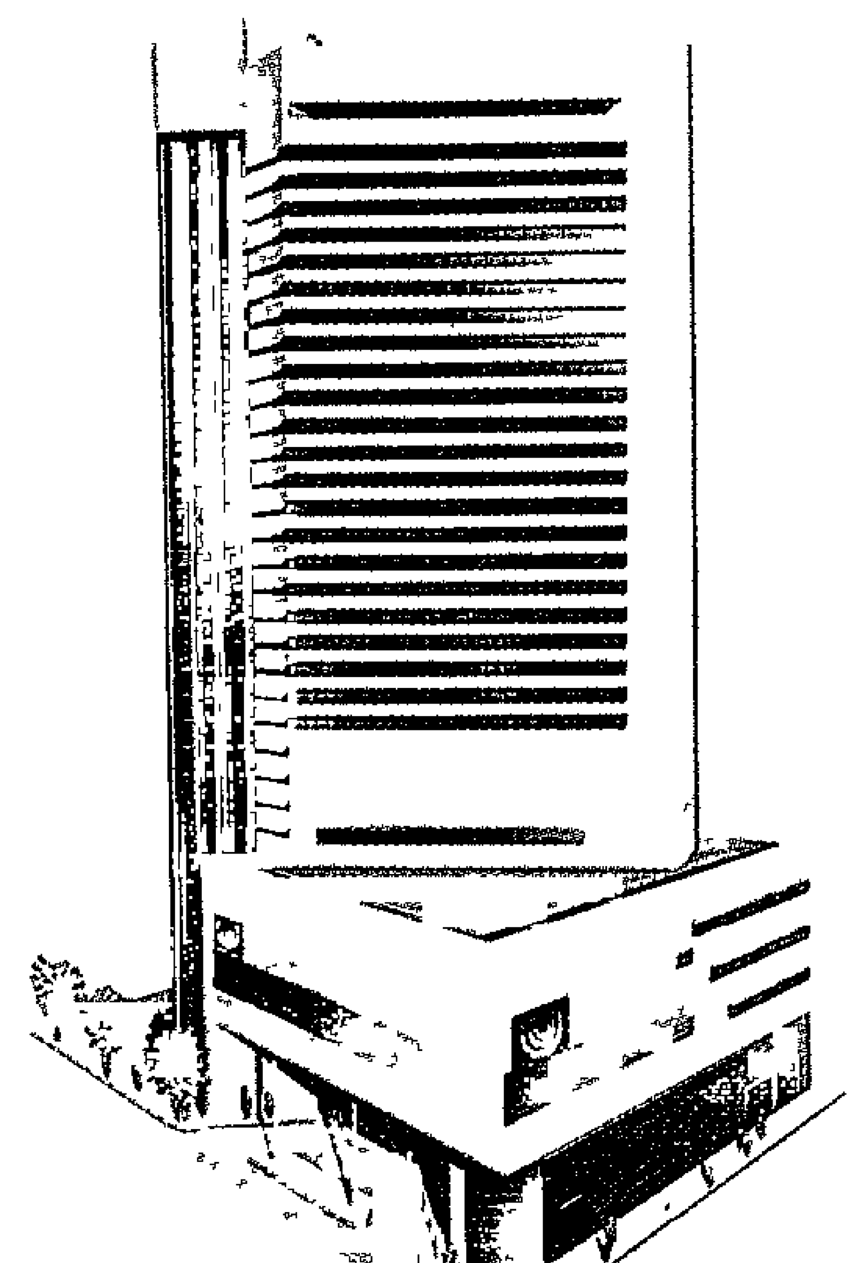

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DOWN WITH a bump. That's what has happened to the size of the Royal Companies list. This year a dismal four companies made the list, which is a good indication of the state of the economy.

Last year a record 31 companies made the Royal list, which requires an annual average growth in earnings per share of 20% or more over the five-year period In 1981, 24 made the list.

One well-known company has failed to make the list after appearing in each one since 1974 — Pick 'n Pay In company with other retailers such as Checkers and OK Bazaars, Pick 'n Pay is feeling the pinch of the recession as consumers cut back on spending

Commiserations also to Sage Holdings, who missed this year's list by a slender 0,021%

The four companies qualifying this year (see table on this page) are Delswa Ltd, Union and London Investment Trust Ltd, Trade and Industry Acceptance Corporation Ltd and Allied Technologies Ltd The performance of the first two are dealt with elsewhere in this survey

1983 ROYAL COMPANIES

Rank	Company Name	Earns Growth	Market Sector	Balance Sheet Date
4	Delswa Limited	57 3	Clothing Footwear Textiles	30 04 83
8	Union & London Investment Trust Ltd	47,0	Investment Trusts	31 12 82
11	Trade and Industry Acceptance Corporation Ltd	41 8	Banks & Financial Services	30 06 83
21	Allied Technologies Limited	39 2	Electronics Electrical & Battery	28 02 83

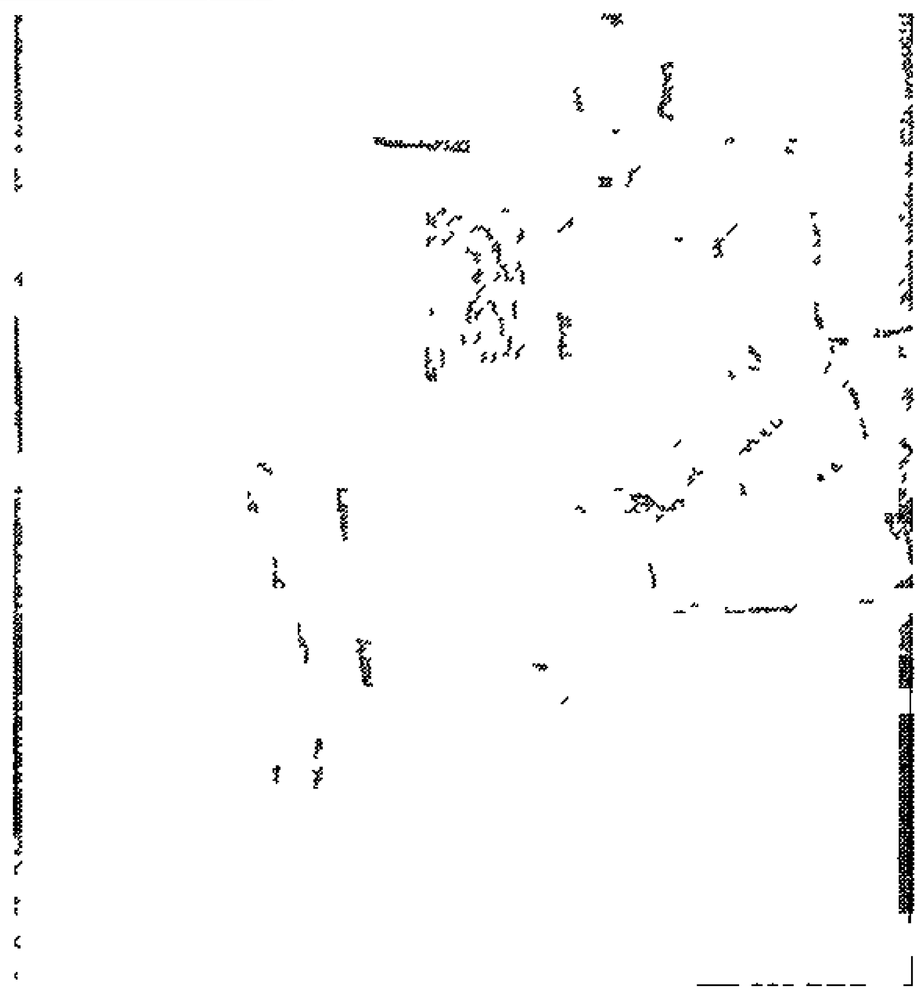
Fewer royals around in '83

GROWTH by acquisition has been Trade and Industry's formula for transforming a two-bit traditional confirming house, which started business in Johannesburg in 1968, into a widely based financial and industrial conglomerate controlling assets of over R150-million

T & I likes to describe itself as an "international merchant bank" However, the group operates under terms and legalities associated with those of an industrial company and is not subject to any banking legislation, which would reduce profitability, as it does not hold any banking licences

The original company in the group, International Shipping, initially experienced steady but unspectacular growth until 1973 when it obtained a listing on the JSE via a reverse takeover of T & I, one of the oldest listed companies on the market Subsequent growth was exciting

Acquisitions became commonplace with T & I gobbling up major competitors and also diversifying by building up a string of widely divergent commercial interests This started with the purchase of Federated Shippers in 1977, followed by Commonwealth Shippers in 1980 and culminating in the acquisition of Anglo African Shipping in 1982 from Nedbank in a R9-million deal — including R3-million goodwill



Altech's Bill Venter and Ken Maud

Chairman Ivor Jacobson described this as a watershed in T & I's history which had "come full circle"

T & I has also been acquisitive ,as regards the building of its commercial and industrial base Certain of these purchases were by desire while others were dictated by good banking practice Essentially, T & I have converted debt funding of companies or potential bad debts into equity holdings

The result was the advent of the investment banking division and a diverse mixture of non-complimantary commercial interests These include fabric maker Svenmill, catering equipment supplier President Catering and a strategic investment in motor dealer Dan Perkins

Numerous private companies also joined the stable and vary from an involvement in sound, clothing, jewellery, insurance and, at one stage, a company involved in vacuum packaging Few groups could boast such a diverse mixture of interests However, the backbone of the group remains the highly profitable money lending operations

Certain ingenious methods of financing its acquisitions have been employed and essentially comprised the use of debt or preference shares The result has been that earnings have not been diluted by an increased share capital and that Mr Jacobson is still very much in control of the group, personally owning around 45% of the issued share capital

The continually higher attributable earnings, and the relatively small increase in the share capital has enabled the share to record an outstanding 41,8% compound growth in earnings from 69 cents in 1979 to 244 cents in the 1983 financial year Dividend growth has not been as spectacular, with the dividend being pegged at 60 cents in the last financial year

Although official earnings were impressively higher, the unchanged dividend was the first indication that something was wrong It was the first time since 1975 that there was no growth in dividends T & I reported "abnormal and extraordinary" losses of R6-million which had the effect of reducing the earnings per share to only 104 cents The market was not impressed and the share came in for a re-rating

Further setbacks in profit appear imminent The group's quarterly results — T & I is one of the few non-mining companies to report quarterly profit performance — reflected a 51% drop in attributable earnings to R1-million or 23,3 cents per share Although this might be due partially to seasonal factors, it is clear that the group will struggle to match the previous year's 244 cents, and might even be hard pressed to match the 182 cents achieved in 1982 In addition, the 60 cents dividend appears threatened

Clearly the group is not immune to the dictates of the economy and the recession is taking its toll

The negative first quarter profits together with the company's involvement with Salect, presently suspended with market rumours abounding about a possible liquidation, has resulted in the share price showing considerable

To page 7

Delswa wins after storm

STYLISH Delswa becomes the top Royal Company of 1983 and steps up two paces into fourth place among the Top 100 companies

This achievement in a recession-tattered year for clothing companies is an accolade for chairman Sam Jaff and the management team of this 52-year-old clothing group

Delswa even improved on 1982's earnings growth despite Mr Jaff's misgivings about the clothing industry's prospects in 1983

While Delswa started with full order books in the first half of the financial year — May to October 1982 — Mr Jaff said in his 1982 review that the situation had to be viewed with caution because of pressures of high interest rates, the demands for increased wages and the impact of increased fabric costs and duties

He feared that pressure on margins would affect final profit in 1983

By Elizabeth Rouse

But Sam Jaff's team pulled out the stops and he could report in his latest company review that "through a sound policy of asset management we have contained stocks and interest charges and continue to be in a strong financial position"

Careful management pulled pretax profits up 21% to a record R3,4-million from R2,8-million (Profits were £258 2s 7d in the first year of trading, sufficient to support management and 100 employees

Earnings a share increased by 28,6% to 278,9c from 216,9c, compared with 1982's earnings rise of 27% from 1981's 170,8c

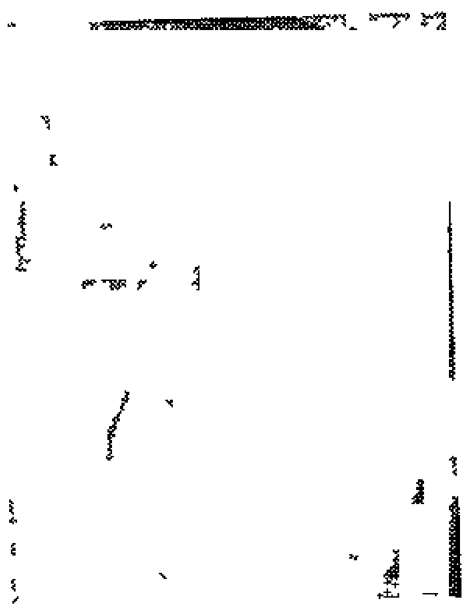
The dividend total was kept at 70c, covered 4 times, compared with the 3,1 times cover in 1982 and 1981

The always conservative Mr Jaff justifies this high cover in his annual review He says it is advisable because of the difficult trading conditions expected during the current year, which will be aggravated by the serious drought and the continuing high level of inflation

Order books are again full for the first half of the year, but margins have been under significant pressure and the company is not expected to match the profit achieved in the first half of last year

Also, the downturn in the economy is unlikely to be arrested before mid-1984 and accordingly shareholders cannot expect results equivalent to those of the past year

However, shareholders cannot quibble about the return on their funds, which improved to a record 29,8%, up from 26,8% in



SAM JAFF
Preparing for upturn

1982 Progress has been impressive as shareholders' return was only 6,2% in 1979

Delswa's debt/equity ratio is 0,49 compared with 0,53 in 1982 and the company has an excellent record of keeping borrowings in line with capacity

Its R1-million expansion to plant and premises is being financed by long-term loans of R41 000

Short-term borrowings were up at R3,4-million in the year to April 1983 from 1982's R2,5-million, but this rise should be seen against over R2-million cash in the bank.

This resulted in net interest paid being reduced to R353 000 in the past year from R412 000 in 1982

The balance sheet shows stocks reduced to R4 046 000 from R4 273 000 but debtors up at R6 336 000 from R5 612 000, a reflection of conditions prevailing in most industries in the past year

Net asset value is 1 134c on the books, but is probably far higher Land and buildings are valued at cost and most of them are several decades old, including the Johannesburg building on the corner of President and Von Wielligh streets

The shares trade at well below asset value at the current price of around 810c, which makes the p/e ratio three against the clothing sector's average of 7,9

Earnings yield at 33,7% is the second highest in the sector where average earnings yield is 12,7% Dividend yield is 8,6% against the average 4,2%, probably reflecting investor caution based on Mr Jaff's forecast of a slowdown in growth

Delswa, founded in 1931 and listed in 1947, has built up a good market image with its labels — Delswa, Crazy Horse, Jade and Marchesa in the women's wear field, Delton and Hickory in knitwear, Schoolmaid and Youngset in girls' and boys' clothing

The company is a pioneer in decentralisation and in accepting unions The Kimberley and Kroonstad factories were unionised at the start in 1948

"We foresaw the industrial trend but did not reap the benefits of decentralisation," says Mr Jaff He is emphatic that no decentralised industry can become viable without good management and top management cannot be attracted to some outlying areas

A pet project is training Mr Jaff believes that local labour has the same potential as overseas workers Not only do skills have to be improved but also loyalty to the company and to the country

"In Far Eastern countries loyalty stretches beyond the job," comments Mr Jaff

Delswa has increased its management staff in spite of the recession "We must be prepared for the next turn-up," says Mr Jaff

Only 4 companies make 1983's Royal list

□ From page 6

weakness Currently priced around 975 cents, down from a high of 1 250 cents, it is on an historic PE of 3,9 The banking sector average is 8,5

The market is nervous and the group's growth record is clearly under the whip Management will have to pull every trick to keep the group's performance on line in the current financial year Royal company status is not assured in 1984

Brian Steele

ALLIED TECHNOLOGIES Ltd (Altech) could be in the Royals list at least until the end of the decade if it meets chief executive Bill Venter's oft-stated objective He reiterates in this year's annual report "We continue to plan for growth rates of around 20% per annum for the following three years of our corporate business plan

"Assuming that we are successful in achieving this goal, Altech will approach and may even exceed R1-billion in annual sales by the end of the decade"

Altech's track record is impressive Says Mr Venter "Our ability to produce a record year (the group's 17th consecutive year of increased profits and sales) in what is generally acknowledged to be a period of economic weakness once again demonstrated the basic soundness of our business strategy"

The market endorses this confidence as it has pushed the share price to all time highs recently

Latest financial results, for the six months ending 31 August (but not qualifying for inclusion in Top 100 calculations), show that earnings were boosted by a healthy 31% over the comparable period last year, despite the tight conditions in the economy

Although Mr Venter concedes that the results "include a full contribution from Lascon Lighting and Willard Batteries which were both acquired by subsidiary Powertech during the past financial year and are therefore not strictly comparable with those of the previous year"

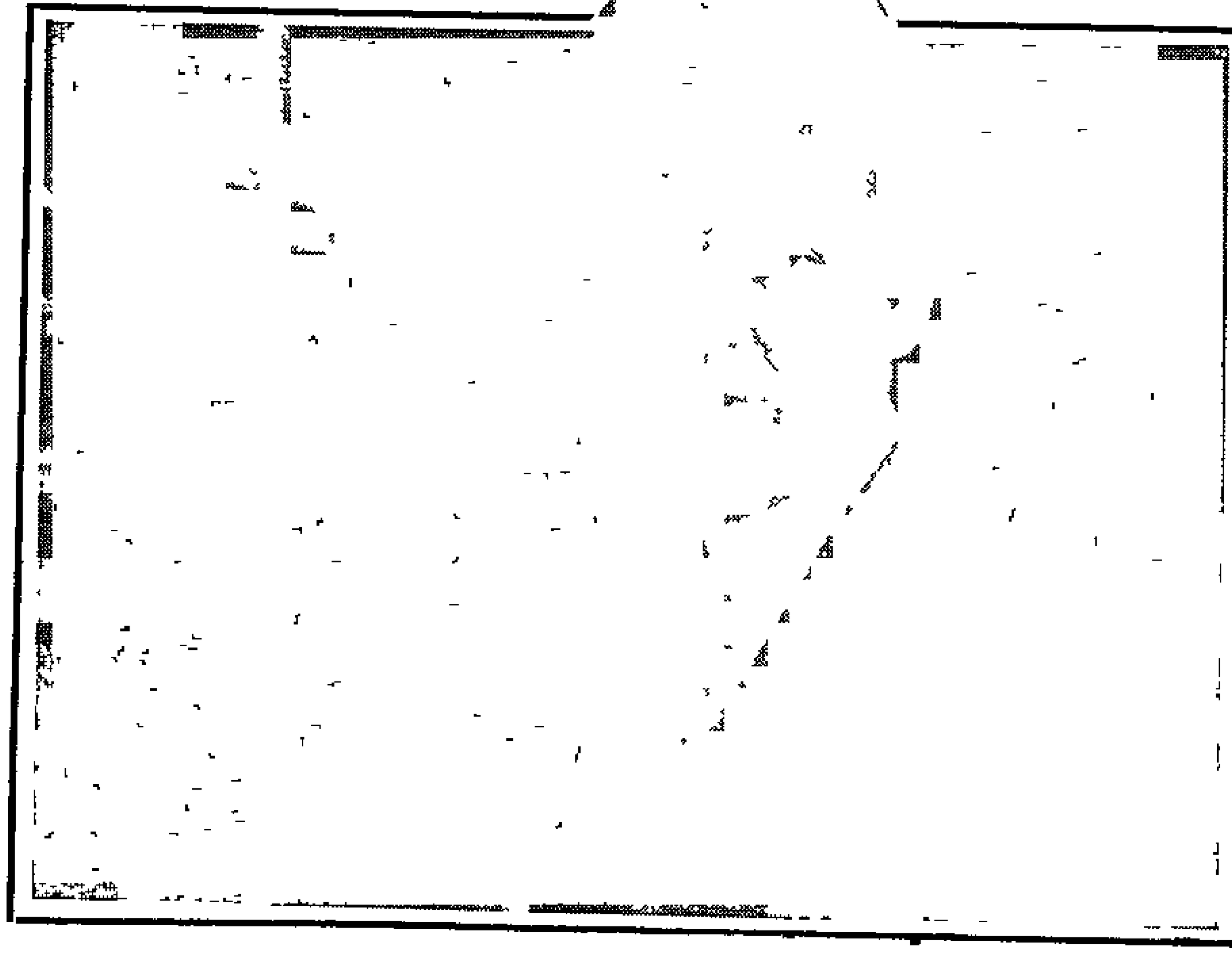
However, if this trend continues there is no doubt that Altech will be "Royal" next year

Also, of course, since Altech's February year end has been the much-publicised deal with Amic, which effectively brought cable manufacturer and electronics group Asea under its control

Analysts believe that the effect on earnings will be marginal in the current financial year But every little bit helps and prospects for the future must be considerably enhanced

Finally, there is the again much-publicised desire by Altech to grow both organically and by new acquisitions The group has now increased its equity funding potential to around R400-million and has considerably increased its cash holdings as a result of the Asea deal

John Tilston



Gundle chief executive Clifford Gundle well-known businessman, but new to the JSE lists

Gundle moves in on B & S

By Don Robertson

NUMBER three spot in the Top 100 companies list is not an easy mantle to wear The climb to first position is formidable and a fall from this elevated, third spot, could be equally traumatic.

For these contrary reasons, B & S Steel Furniture Company, is honoured at its fortune in being so highly considered, but is equally regretful that it has been so highly placed

Facing it are a projected decline in profits this year, a recently negotiated change of control, almost certain rationalisation, an injection of new management in the year ahead and the vagaries of the current economic climate

Involved in the area of kitchen manufacture, the company is no stranger to the Top 100 lists, having been placed in sixth position last year and having been mentioned on three occasions previously

But, for the reasons mentioned above, it is seems unlikely that it will rank as highly next year

The company's rise to number three has been spectacular, with earnings moving up from 17,9c a share in 1978 to a peak of 94 1c in 1981, with a hiccup last year, when earnings dipped to 72,8c

This period included a major acquisition in the purchase and rationalisation of Steelbrite into the group — a function which fell squarely on the shoulders of chairman and managing director, Hymie Back

Far from shirking from this duty, he welcomed it, and saw it as a challenge which he readily accepted, having spent the last 37 years building up the company to become the largest of its type in South Africa

Forbodings of a difficult year were voiced in his chairman's statement last year when he warned that decreased consumer demand and fierce competition aggravated by the severe drought would result in reduced profits this year

The interim report confirmed his worst suspicions with attributable profits slumping to R215 000 compared with R954 000 Adding to the problem was a labour distpute, which could have cost the company dearly

New team

But perhaps it is appropriate, at this stage, to look at the new management team that will take over at the helm in the new year

This will be headed by Clifford Gundle, who needs little introduction to the business community, although he is a newcomer to the JSE lists

The deal involved the purchase of 50,12% of the Back family holding in B & S at a price of 341c a share and, through a similar offer to minorities, Gundle increased its stake in B & S to 71% This offer has now been extended to December 15

Subject to shareholder approval, B & S acquired the activities of Gundle subsidiaries, Gundle Cupboard Systems, Republic Kitchens and Mr Cupboard in exchange for 3 602 000 shares in B & S, which will not rank for the expected final dividend of 5,5c

Had the Gundle divisions been included in the results of B & S for the full year to December 1983, earnings would have risen from an estimated 26,6c to 48,6c, while the net asset value would have dipped to 236c from 355c

Following the sale of his plastics operation to AECI, Mr Gundle has been sitting on a fair amount of cash and it was no surprise to the market when he made his bid for a company that had similar interest to his remaining operations

In concluding the deal, it is obvious that it will be advantageous and timely to combine the Gundle activities with those of B & S to strengthen the position in the market place and provide additional rationalisation.

Quality Welfit takes 2nd spot

By Alec Hogg

IN A WAY, Welfit Oddy Holdings' achievement of the number two spot in the Business Times Top 100 Companies table this year is a triumph for the Eastern Cape

This area of the country has been through a tough time recently, with the Port Elizabeth City Fathers finding it increasingly difficult to attract the new business which is desperately needed for the area to return to the prosperity of bygone years

Perhaps the success of Welfit Oddy can serve as an example for the majority of businessmen who still seem to believe that the only way to profits is through siting their operations on the highly populated PWV region

In terms of size, Welfit Oddy Holdings is certainly not among the giants of South African business. The group is capitalised on the JSE at R4,4-million, and it employs just over 1 000 people.

Welfit Oddy is only the fourth largest manufacturer in its most important market, which is the production of motor vehicle bodies

The group has only 800 000 shares in issue, and turnover, at R22-million, is among the lowest of all companies listed on the JSE

But in terms of efficiency, the group has performed exceptionally well over the past five years as its rating illustrates

After tax profit has risen from just under R150 000 in 1979 to R1,2-million in the year to end June In the process, shareholders' funds have risen from R3,8-million to R9,4-million

The group specialises in vehicle bodies for the public sector, which includes the Departments of Post and Telecommunications, SATS, and Water Affairs

It supplies to all the major motor manufacturers, including Toyota, in Durban, and Sigma and Nissan on the Reef

The market is extremely competitive with the group quoting in most cases on a national basis for the supply and fitting of bodies to commercial vehicles of all makes

It has not only overcome the disadvantage of the distance from the main Reef market, but also fits higher steel bills because of the cost of railage from Iscor Mills in the Transvaal and in Newcastle

Chairman Welfit Oddy ascribes the group's success to strategy of good leadership from the top The group's directors are all executives, and as such have a direct interest in the day-to-day fortunes of the operation

As important, like many other family controlled groups, Welfit Oddy Holdings has a strong aversion to debt In the past year, the group received net interest of R180 000

Borrowings total a mere R650 000 compared with the R9,5-million which is allowed in term of the Articles of Association, and this amount is not used as working capital but rather as a bond for repayment of property which has been purchased

Mr Oddy and his board take an old fashioned view on dividends Last year the dividend cover was an enormous 15,5 times, but 1982 broke all records with the payment covered 31,4 times by earnings

This ultra conservative policy has impacted on the share price, which trades at a discount of 50% on net asset value

Judging by the yields offered on other motor shares, if dividend cover was a more normal two times, Welfit Oddy's share price would probably be in the region of R10 instead of its current 550c

Mr Oddy argues, however, that as the group does not have a parent which can plough in massive amounts of capital, it has to survive on ploughbacks for expansion purposes

"We have paid a dividend of 10c a share for the past three years which is really a return of 20% on the 50c par value of the shares"

Over the past year, management also showed its ability to mix it with the best of them Mr Oddy notes in his chairman's statement that the group "became aware of an act of Industrial Espionage in the form of copyright infringement and access to our confidential tenders by an opposition body builder

"The information was relentlessly pursued through the courts and the matter was concluded to our entire satisfaction by having this competitor legally obliged to withdraw certain tenders having the source of the leak identified and eliminated, and our being awarded costs and damages"

The group is now entering the final phase of a five-year planned building programme and by the end of 1984 will be completely housed under one roof with modern premises

What of the future? Mr Oddy states "We have had many approaches but as long as I am here we are not for sale.

"My son has already expressed an interest in joining the company, and when he takes over it will be up to him whether he wants to sell, but somehow I doubt it

"We are in business to achieve the best possible return on the capital employed and to keep improving the quality of our goods It is a highly competitive market, and we must make sure that we stay ahead of the opposition"

Third generation family business

By Alec Hogg

FAMILY businesses have had a bad Press in recent years

Management is often criticised for being too stodgy in its strategy, and the minority shareholders often complain that with the kind of assets which these companies control, their profitability should be a lot higher

Welfit John Oddy, chairman of Welfit Oddy Holdings Limited, put across the other side of the story when I met him recently.

He is the third generation chief executive of Welfit Oddy Holdings Limited, and bears the same name as the group's founder, the first Welfit Oddy, who arrived in this country 100 years ago.

And the line looks like continuing for some time Mr Oddy told Business Times that the family has no intention of selling, and besides, his son has already expressed an interest in continuing the tradition

He is proud of what his family has achieved in this country "The company is financially sound, and is recognised by its clients and associates for its ethical approach to business matters"

He believes the group's spectacular record over the past five years "is primarily due to the fact that all the directors are full time working employees

Trends difficult to spot

By DAVID CARTE

FORTUNES fluctuating as they do in business, there has always been a good deal of mobility up and down the Top 100 Companies list — but seldom as much as this year.

While Toyota emerges for the third successive year as top company, the number two, Welfit Oddy, was not in the Top 100 at all last year Nor was Adonis, this year in the number seven slot.

Business Times wishes to gratefully acknowledge the work of the JSE's listing department staff in compiling the Top 100 lists again this year. We ask readers to bear in mind that no decisions regarding company performance as related to Top 100 calculations were taken lightly and that the final decision on any matter rests with the Editor of Business Times.

This Port Elizabeth-based vehicle body maker made the number two slot on a solid improvement off a low base

The company is still performing well and few will be surprised if it is still in the top 10 next year

Adonis is where it is also thanks to a low base year

B & S Steel, recently the subject of a reverse takeover to effect the listing of Gundle, does not expect the same high ranking next year

According to the circular to shareholders the former high flyer expects earnings to plunge to 26,6c (72,8c)

Other Top 10 companies this year that had a meteoric rise were Union & London, thanks to the maturation of investments including its stake in Southern Sun, Suncrush and Rand Mines Properties.

Union & London rose from 40th to 8th slot, Suncrush from 27th to 6th and Rand Mines Props from 24th to 5th.

Apart from Toyota, only Plate Glass (down to 9th from 3rd), B&S Steel (this year 3rd, last year 6th) and Delswa (this year 4th, last year joint 6th) were in the Top 10 last year

SA Associated Newspapers put in a a sterling performance, rising from 43 in the rankings to 14

Argus slipped from 75 to 81

The place where it all happens ... dealers on the floor of the Johannesburg Stock Exchange

Companies that slid out of the Top 10 include Goldfields Industrial Corp, Union Steel, Duro Industries and Saficon, which tumbled largely because of tight times at Boumat, from 8th to 16th

Reflecting reduced profitability virtually across the board, compound earnings growth over the five years to 1983 was sharply lower than in the five to 1982

The top company this year showed 68,5% compound growth, compared to 130% last year.

And Anglovaal, which ranked 100th this year, grew at an average annual compound rate of 20%, compared to Protea's 28% in the 100th position last year.

As a result, if a company maintained its earnings growth rate, it tended to move up the lists

SAB moved up the lists from 59th to 31st, even though earnings growth fell to 34,4% (36,5%)

Likewise AECI held its 92nd spot even though its earnings growth rate fell to 22% from 30%

Afcol moved up a place to 10th spot even though the pace of earnings growth slackened from 72% to 44%

Because of the problems discussed under the rules, blue chip companies are generally at a disadvantage in the rankings

It therefore says much for SAB that it moved up from 59 to 31

Amrel slipped into 40 from 20

Southern Sun and Edgars were excluded because of changes in their capital structures

Afcol's ranking at 10 (11) was an achievement in view of the big decline in furniture demand

Barlows slipped to 98 from 93, while Pick 'n Pay rose from 72 to joint 57 Liberty's blue chip investment trust, Fugit, soared to 49 (80)

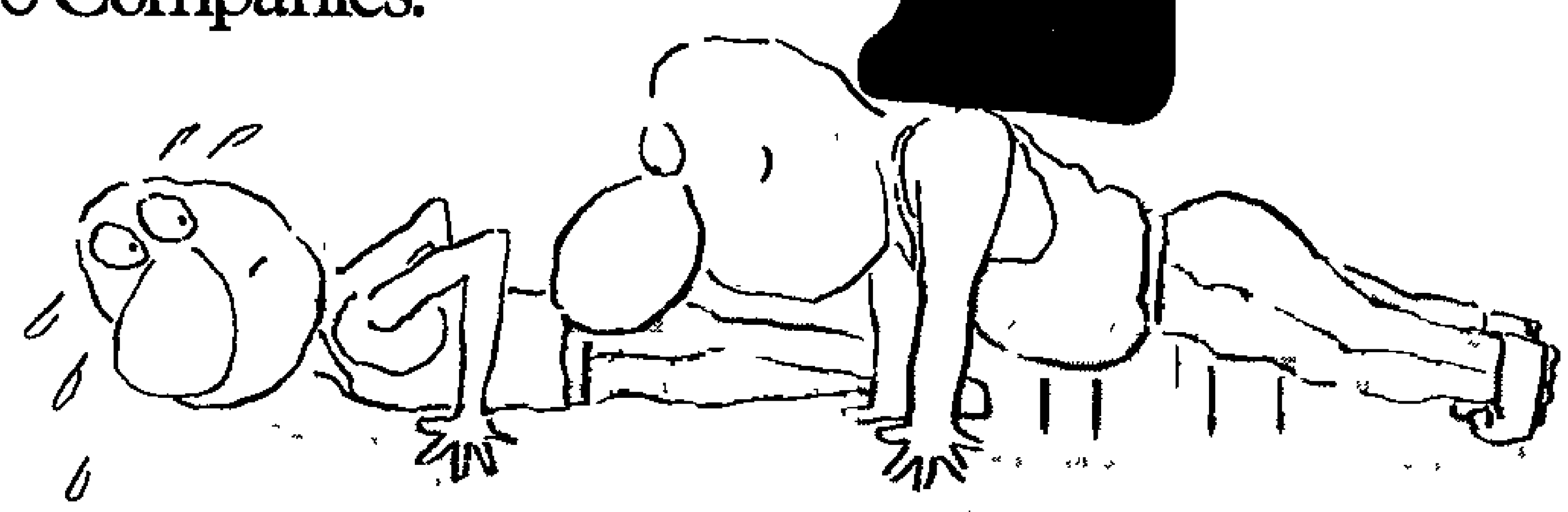
In its first year after the merger Tongaat-Hulett came in at 83, compared to Tongaat's 67th ranking and Huletts' 76th last year Altech moved up to 21 from 49

Mainly because year ends differ to such an extent, industrial trends are hard to spot in the rankings Once again, the top 10 companies do not have much in common

Mining shares are excluded but gold based mining financials appear to have tumbled across the board, with Amgold down to 38th from 13th and Gencor down to 85th from 43rd GFSA tumbled to 93 from 58

Press up

SAAN shows its financial muscle by moving up to 14th position in the Top 100 Companies.



In the Business Times' Top 100 line-up SAAN now occupies the 14th position, having come up from 45th last year. An achievement unmatched in press circles. And a long jump made possible by our superfit management and editorial team, backed by the enterprising men and women who make each of our 13 publications leaders in their fields. An exercise in excellence all round

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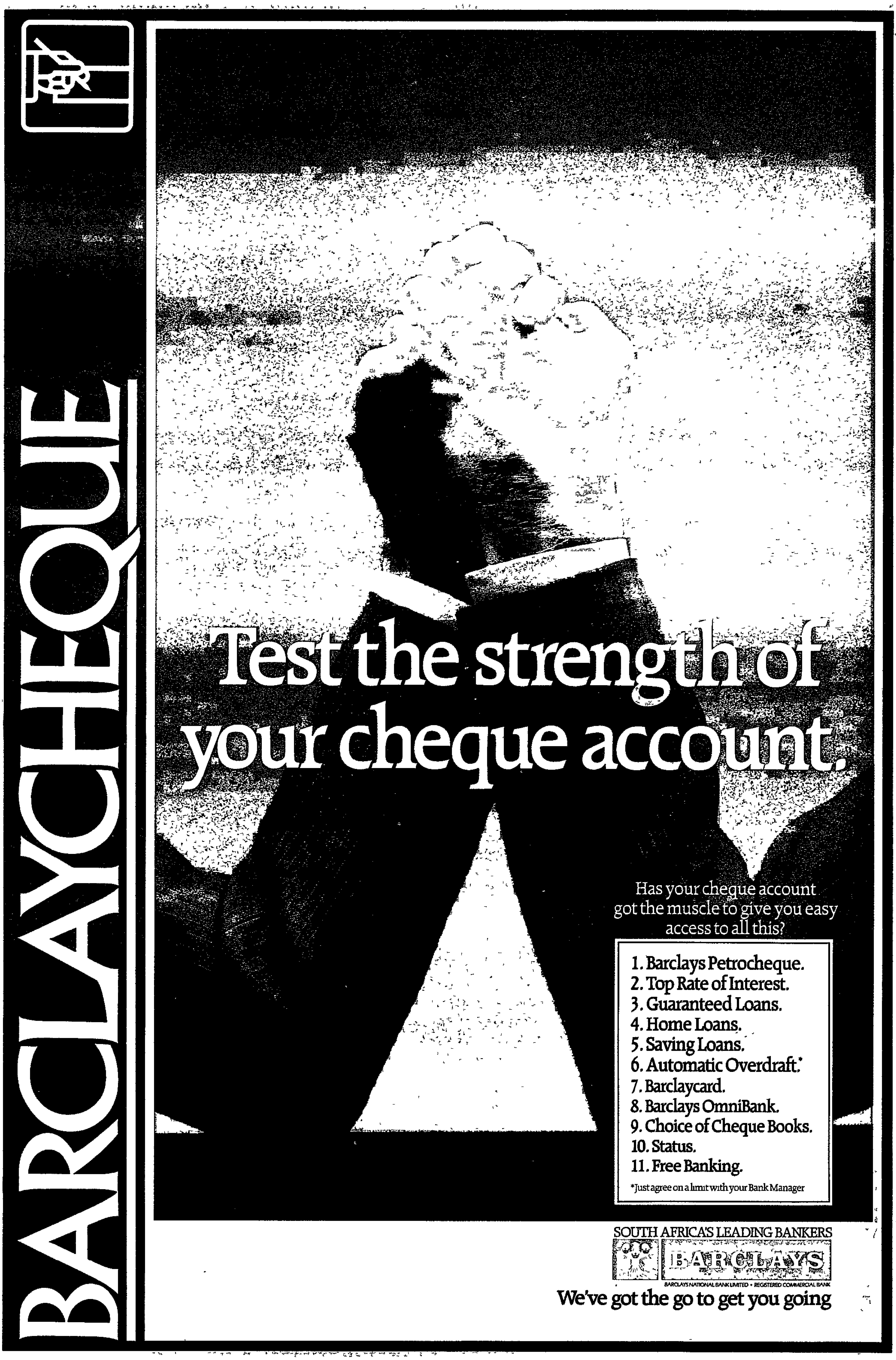
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Keeping an open mind

After the difficult conditions that prevailed on the stock market this year, investors may justifiably be cautious of where to put their money next year. Business Times Deputy Editor, ALEC HOGG, analyses the prospects

FORECASTING which sectors will perform best in the year to come is never easy

But trying to put together a definitive forecast for 1984 is arguably one of the most difficult ever

In 1983, industrial shares out-performed all expectations, with every single sectoral index rising

The expected boom in financial shares materialised as most expected, but the mining indices finished the year a lot lower

Drawing a line through the immediate past, it appears that mining shares now offer the best value

Industrials are discounting a healthy recovery next year, but whether or not this transpires depends on the Government's tenacity in its fight against inflation

One is, however, hesitant to recommend purchase of any but the blue chip shares in the uncertain climate which lies ahead

Looking more specifically at the sectors, building and construction looks particularly vulnerable with order books falling and the rises of the past perhaps overdone.

The same argument could be made for the manufacturers and retailers of durable goods, particularly motors, where the past year's gains have born little resemblance to the economic fundamentals.

One area of the industrial boards which should outperform the average, however, is those companies which rely heavily on the black sector, where buying power is growing at a rapid rate

Here, stores like Pepkor, Pick 'n Pay, OK and the potentially highly profitable Checkers stand out

One exception to the expected norm is the steel sector where the base is exceptionally low and producers like Hiveld and Union Steel in particular appeal

Also on the industrial board, potential takeover targets should not be ignored, and among these companies one must list overseas-controlled Cementation, Goldfields Industrial, Mooi River Textiles, Quinton Hazell Superite and perhaps Anglo Alpha.

The run in the financial sector, which includes banks and insurance companies, looks to have been overdone.

Traditionally, when competition increases, margins are squeezed, and until now none of this has been reflected in either the profits or the share prices of these institutions

Short-term insurers, in particular, look vulnerable following the sharp increases in profitability and share prices over the past year

The property sector also enjoyed an exceptional run earlier this year, but has since lost a lot of the earlier gains

A possible reason is the oversupply of office space, and with rentals unable to be renewed at the record levels of just a few months back, the shares look rather fragile

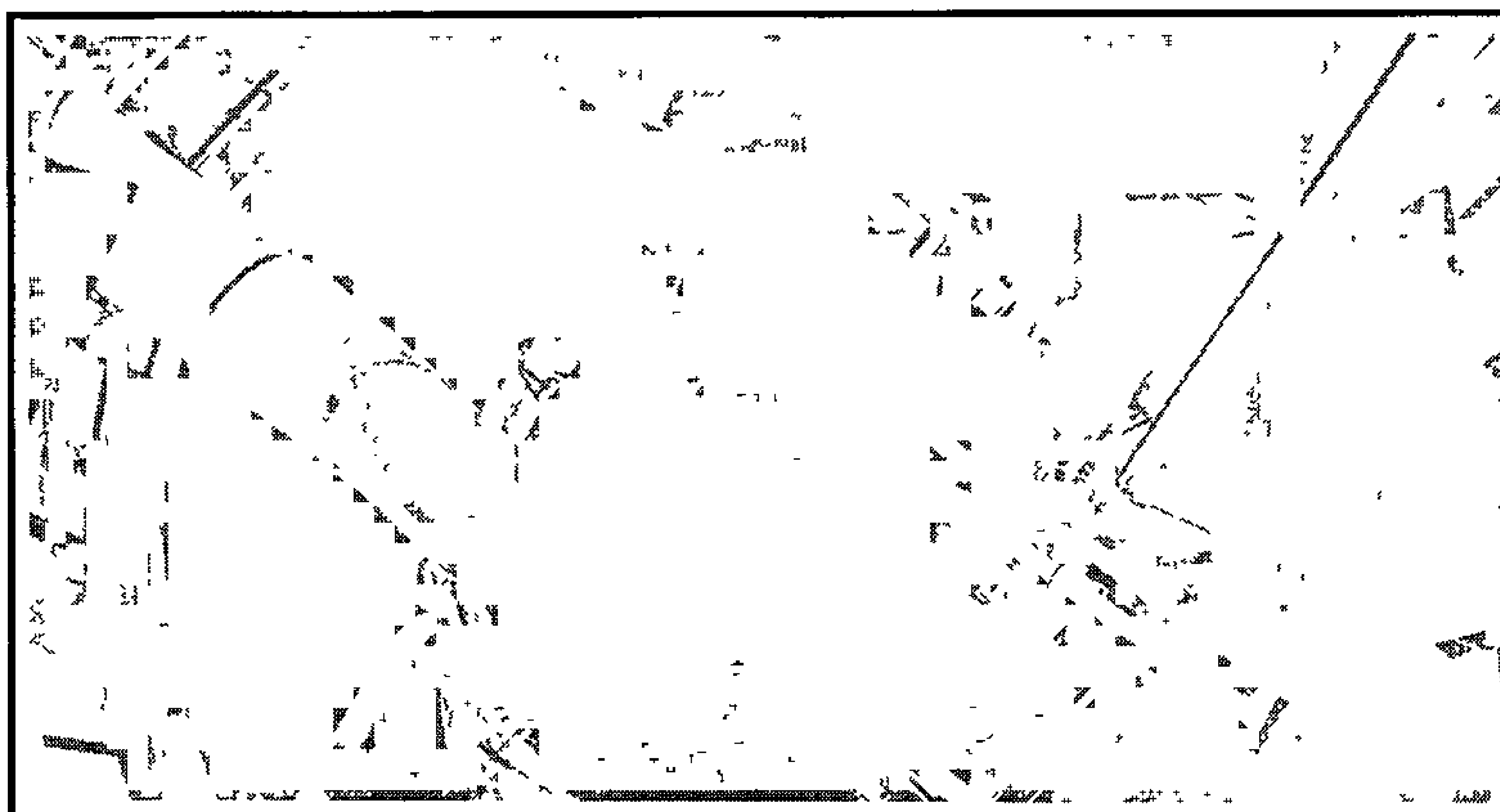
One exception, however, is the newly launched Umdoni Property Fund As the market learns about the excellent prospects for this property trust, the value of the shares should rise

Looking more specifically at the mining side, bombed out shares like Palamin (copper) and Samancor (manganese) and Associated Manganese (manganese) have their appeal

Investors are looking at buying into well-run and potentially highly profitable companies at bargain basement levels, and with a lot of the market looking overpriced these shares may well come back into their own on long-term prospects

Gold shares remain the enigma The price has been forecast to range anywhere between $200 and $1 000 next year, and depending on what mood one is in, both scenarios are easily believed

One of the lessons which has been well learned, however, is to go with the market Experts who dogmatically stick to their view despite overwhelming short-term evidence to the contrary are almost always burned



Extracting and reprocessing ... could be a gold mine again in the future

By Elizabeth Rouse

RAND Mines Properties, which surged into fifth place among top companies from 24th last year, mirrors the history of the Golden City.

Created 15 years ago out of an amalgamation of "dead" mine properties, RMP is once again making a living from gold, extracted from its dumps

MIRROR OF OUR GOLDEN CITY'S HISTORY

And, in the crystal ball, there could be a gold mine again in its future

Given a high gold price the company's mineral rights could be exploited

RMP remained a property and timber (Thesen) company until last year when the sand treatment plant at Crown Mines came into operation

In spite of start-up problems, turnover from the Crown Mines plant was R30,1-million, almost equalling a record R31,8-million earned from sales of property, mostly industrial land

RMP is sifting its future fortune

The result was RMP's second highest net taxed profit of R15,8-million in a year of recession

(The highest taxed profit was R20,7-million in the boom year of 1981)

The dividend total was lifted by 10c to 45c, keeping intact the dividend growth record

RMP was born out of the merger of City Deep, Consolidated Main Reef, Crown Mines, Ferreira Estate and Geldenhuis Deep

Shareholders of these old mining companies have done well with RM Props, although the going was tough at times when the property market was stagnant.

Chairman Dammy Watt sums up the company's history over the past 15 years in the annual report

- RM Props earned taxed profits of R85-million during this period, out of which dividends of R31-million were paid
- R11-million has been invested in land and buildings, currently valued by the directors at R43-million on the open market

Earmarked

- A controlling interest was acquired in Thesen & Company for R9-million and R61-million was spent on the establishment of the Crown Mines sand plant
- Since 1968, 390 hectares of township land in over 50 townships have been sold for a variety of uses
- At September 30, 1983, RM Props had a stock of 105 hectares of proclaimed township erven earmarked for sale, valued at R50-million
- Over 1 500 hectares of RMP's property have been expropriated by various authorities, mainly for improving the central Witwatersrand infrastructure

RMP is a "long life" (to use a mining term) property company and could be reborn as an underground mining developer in the future

Operations

It owns 3 703 hectares of undeveloped central Witwatersrand mining land, including mineral and mining rights

Of this land 17% (633 hectares) is available for township development, 30% is reserved for possible underground mining operations, 39% consists of sand dumps and slimes dams and 14% (500 hectares) is presently unsuitable for development

Dammy Watt does not expect that RMP's land sales will surpass 1983's record.

But the future looks bright for the next boom

In his annual review he refers to the significant number of enquiries received for industrial land and "a few important" requests for well located land for warehousing and distribution centres on the central Witwatersrand

Leap

The result was a 54% leap in the average price per hectare of non-residential land to R548 000 from 1982's price of R356 000 (And this happened during the recession!)

Mr Watt is cautious about the establishment of a second sand plant at City Deep, considering the problems encountered with the start-up of the Crown Mines plant.

"Construction will not start before September 1984, and then only after obtaining confirmation from the operation of the Crown Mines plant that the investment in the City Deep plant will meet the company's required profit criteria."

The gold price will be the vital component in the evaluation of estimated profitability of the proposed plant.

The Crown Mines plant operates on a working cost of R10 000, or $250 to $260, a kilogram

Delayed

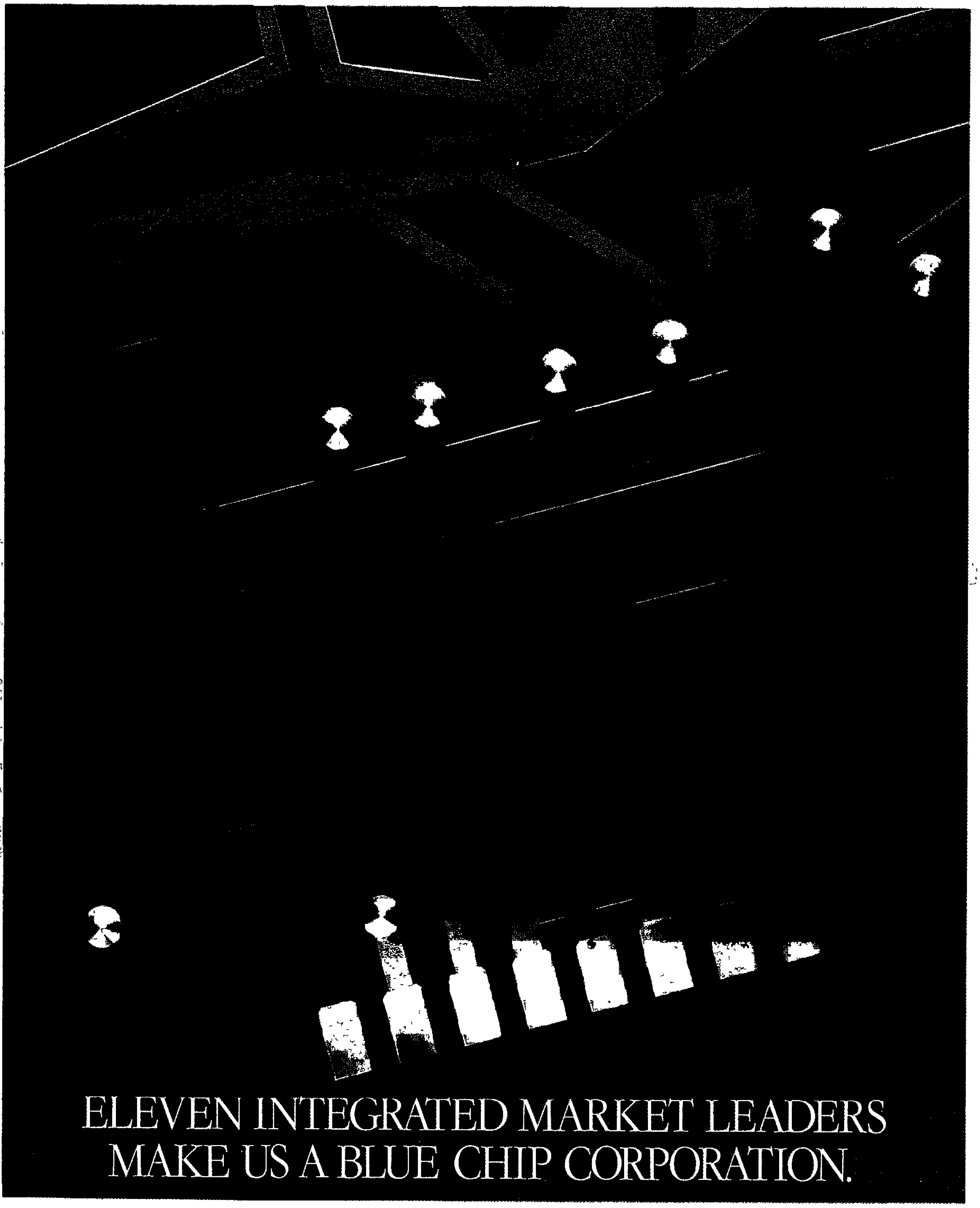
The plant made a contribution to profits in the past year despite delayed full commissioning

It is running at 90% of capacity and once production snags have been eliminated, the sand treatment division seems poised to make a significant contribution to RMP's performance in 1984, if gold behaves itself

Underground operations remain in the distant future

It will only be contemplated when there is a "very substantial and sustained increase in the gold price", says Mr Watt.

And based on the current picture, he cannot foresee any immediate prospects of the group resuming mining operations



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The track record and entrenched position of these names points to Tedelex being a blue chip in consumer and industrial electronics, an integrated company poised to make further gains in this fast growing industry of the future.

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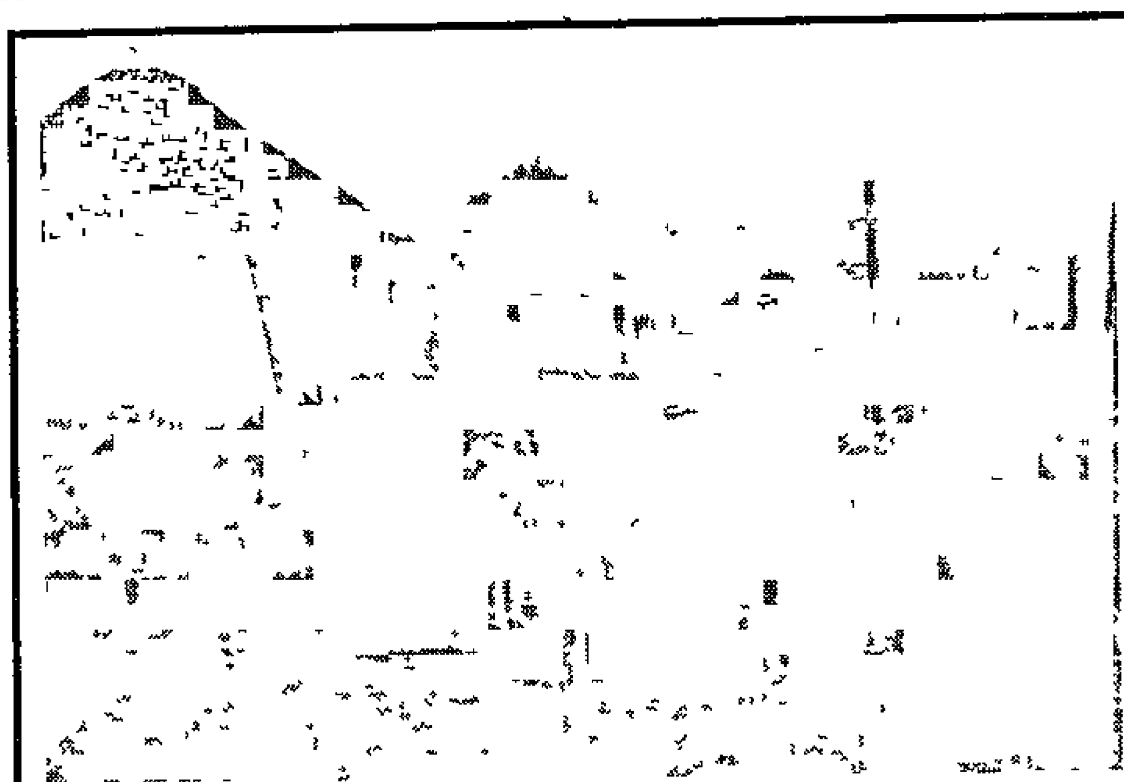
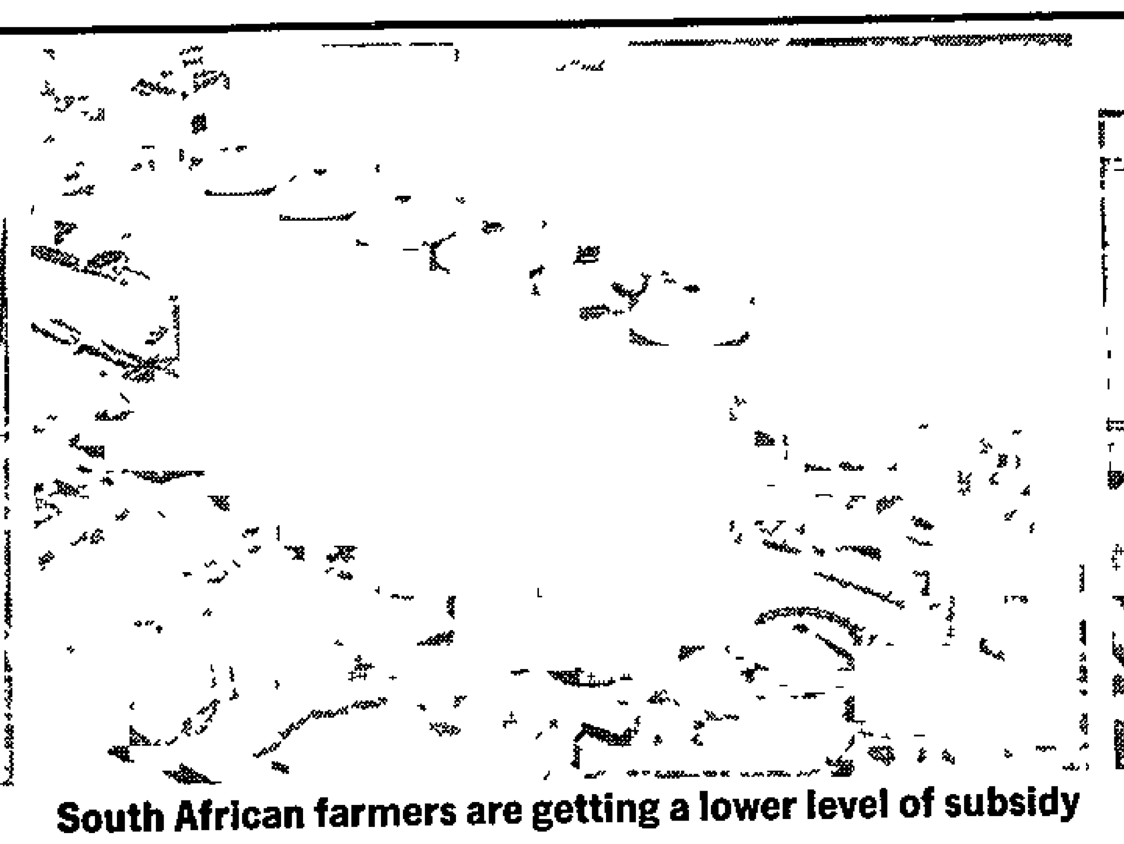
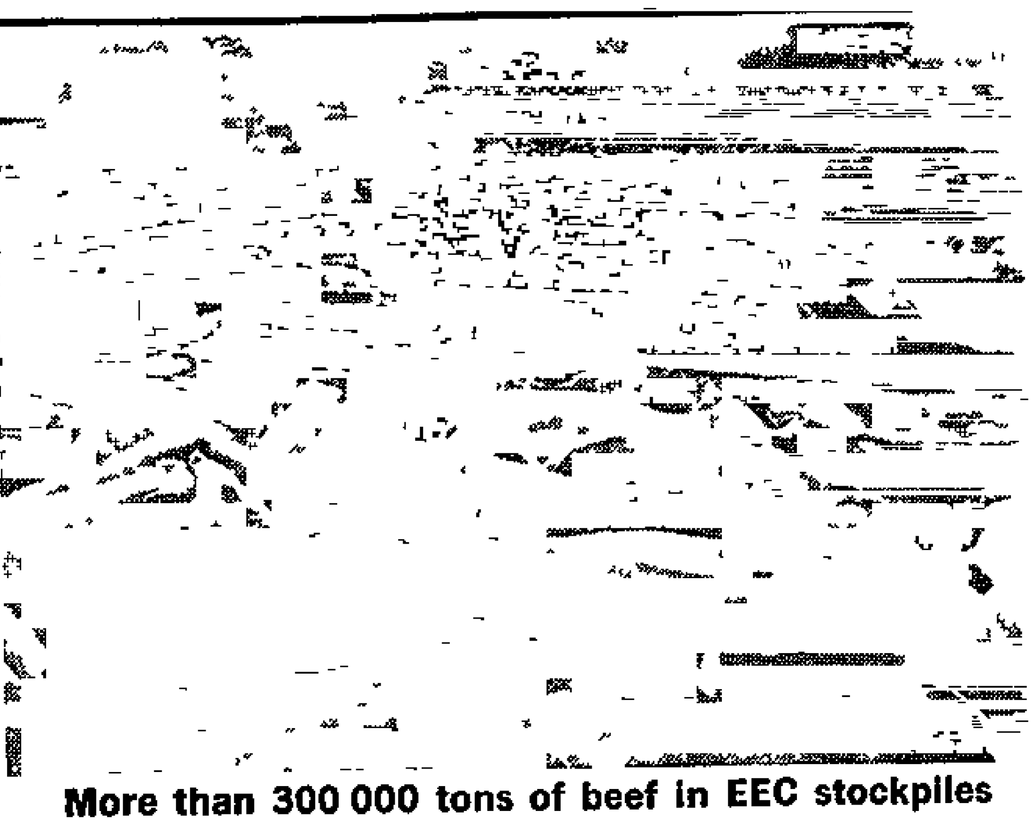

African governments use incorrect price policies


South African farmers are getting a lower level of subsidy


More than 300 000 tons of beef in EEC stockpiles

Chaos in international agriculture

WHILE criticism is continually levelled at South Africa's network of control boards and agricultural committees, massive subsidies in the industrial world are keeping farmers in Africa trapped in poverty

During 1983, the US will subsidise agriculture to the tune of $40 000 to $50 000-million and the EEC will make handouts in excess of £30 000-million

Agriculture is an embarrassment to any country — muddy boots in Parliament, mountains of surpluses hidden from consumers — but it is the most important industry of all.

BARRY SERGEANT looks at the problems caused by administered prices and other controls

It is the United Kingdom's biggest industry, and has been called its most successful Mrs Thatcher's cabinet has a barn-full of ministers who are farmers It is arguably South Africa's biggest industry as well, on a value-added basis

South African controls are no great exception to administration of agriculture anywhere else The subsidies and price-supportive mechanisms in the industrial and third worlds are not exactly shining examples of free trade

In Africa, the UN's Food and Agricultural Organisation has estimated that about 60% of the continent's 330-million population eat fewer calories per day than they should More than 20-million are facing starvation, and will need 600 000 tons of food in 1983 to help them stay alive

Much has been blamed on government inertia, despite several governments being overthrown because of increases in food prices The World Bank's Berg Report said in 1981 that African governments had their pricing of agricultural commodities wrong

They tended to overtax agricultural exports — providing inadequate incentives for production — and they were inclined to overvalue their currencies, said the report

Its other main criticism was that African countries "had a persistent tendency to overcommit themselves in terms of their abilities to administer prices" They have their fingers in too many pies activities such as marketing are best left to the private sector

The extensive subsidies in the industrial nations mean that imports to Africa — when they can be paid for — are below real costs, keeping African farmers trapped in poverty. According to the Economist, Africa can produce 100 times more food than it does now

In the EEC, the common agricultural policy (CAP) subsidy is running out of money, and the EEC itself is almost bankrupt Spending a third more on agriculture than last year, non-farmers in the EEC will have paid farmers about £30 000-million by the end of this year, despite high world prices and food mountains.

The biggest payouts are for dairy products The community's butter mountain is now 600 000 tons, compared to 50 000 a year ago Skimmed milk powder stocks are up from 396 000 to 916 000 tons There are more than 300 000 tons of beef in freezers, compared to 75 000 last year

In the United Kingdom, the CAP will cost consumers about £4 000-million this year, of which farmers will recieve £2 000-million, a net cost of £2 000-million, before budget handouts

The combined [illegible] will be on the £3 000 [illegible] level — more than the combined total given to B[illegible] Rail and British Steel [illegible] Africa, on a per capita basis will only hand out about 10% of the United Kingdom's subsidies

In October, the EEC announced a temporary suspension of subsidies, suggesti[illegible] that the first crack in the edifice of the CAP had appeared

In the US, total [illegible] paid out to farmers are [illegible]mated at between $40 000 [illegible] $50 000-million for 1983 T[illegible] payment-in-kind programme, which pays farm[illegible] to not plant crops, will [illegible] absorb about $16 000 [illegible] When the PIK programm[illegible] was announced, 43% of [illegible] and 35% of wheat farm[illegible] signed up

Instead of growing cr[illegible] they would be given stocks [illegible] massive surpluses that government held, which [illegible] could then sell on the [illegible] market This was supposed [illegible] be a price-supportive mechanism for farmers be[illegible] the supply of comm[illegible] would fall

The agricultural depar[illegible] ment expected that 23-m[illegible] lion acres would end up [illegible] fallow In the event, 46-mil lion did, adding to the 36-mil lion idled under oth[illegible] schemes Because of [illegible] drought, PIK has become [illegible] embarrassment to the government Supply of commodities did fall — [illegible] the floor

Its stocks have run out [illegible] it has to buy commodities [illegible] the open market These a[illegible] given to farmers under [illegible] PIK scheme where they [illegible] again sold on the open market

US "target prices" are [illegible] level where government [illegible] pay the difference to [illegible] farmer in the event of a deficit Because they rise annually, the secretary for agriculture, Mr John Block, [illegible] tried to freeze them He [illegible] been unsuccessful because [illegible] congressional pressure [illegible] leave farmers alone.

In South Africa, most commodities may cost more [illegible] world prices, but a great degree of stability exists M[illegible] of the administered price [illegible] creases this year were [illegible] the inflation rate The M[illegible] Board's increase in November averaged only 7%, [illegible] the previous increase [illegible] more than a year before.

Besides this, there is all [illegible] indication that farmers a[illegible] becoming more mark[illegible] and less production [illegible] The thrust by NAMPO for [illegible] dual marketing system is [illegible] prime example of this.

With more interaction [illegible] tween the government [illegible] try and the consumer, [illegible] consumer is the [illegible] beneficiary. This is [illegible] the controls that are [illegible] associated with hig[illegible] prices

What, after all, is the [illegible] of chaos?

This year one of the dominating issues in the economy has been the concentration of economic power in a few hands. Business Times Editor, DAVID CARTE, analyses the trend

More fights loom among giants

WHEN GIANTS battle, the earth shakes and petty men run for cover.

The corporate giants of SA have had their knives out carving out an ever-growing slice of the private sector, virtually since the Second World War.

Every now and then they have turned their knives on one another, such as during the battle for control of Union Corp, but generally the struggle has been one of low intensity.

In the past two years, however, the fighting has intensified and the Big Four — Sanlam, Old Mutual-/Barlows, Anglo American Corporation and Rembrandt/Volkskas today bestride the earth like so many colossuses

After Sharpeville in 1960 and Soweto in 1976, disinvestment by foreigners and after the 1969 market collapse, by local individuals, helped to contain the intensity of the battle There was plenty of scrip for the giants.

But for years the cash flows of institutions and mining houses, trapped by exchange control, have outstripped new investment opportunities. As the supply of scrip dried up it was hardly surprising that the giants started stepping on each other's toes — hence intensification of the struggle in recent years.

Some of this year's scraps started way back in 1977 and 1978. Anglo's bid for Samancor back in 1978 bettered the price offered to Iscor by Gencor Government turned it down.

This year Samancor, a priceless taxpayers' asset, was steered into Gencor in exchange for a bombed out steel works and colliery.

The deal, ostensibly to avert legal action, was presented to the public as a fait accompli Anglo was not given a chance to make a more generous counter-bid but stoically held its silence on the matter

Last year's big bust-up between Rembrandt and Sanlam over Gencor and the departure of Dr Wim de Villiers could conceivably be traced back to 1977 and the rescue by Sanlam of Trust Bank and Dr Lens Wassenaar's book condemning state socialism, Iscor, Escom and, by implication, Volkskas

This widened the gulf between Volkskas, a Rembrandt associate, and Sanlam. The rift appeared to be healing when Sanlam found it necessary to place additional directors on the Federale Mynbou board and all hell broke loose

Today Sanlam's control of Gencor is beyond challenge All has been quiet on this front but there is no guarantee that the peace will hold Rembrandt licks its wounds, quietly building up its stake in Metkor

A spectacular deal by Sanlam to rival the recent coups of Mutual and Liberty is widely expected.

The struggle between big business houses has not been confined to Afrikanerdom. More recently there were the Tiger and Premier deals that drove a wedge between Anglo on the one hand, and Old Mutual and Barlows on the other.

This struggle started after Old Mutual successfully fended off Natie Kirsh's bid for Tiger Oats Embarrassed with near-control of Tiger, Mutual steered Tiger into Barlows, thus gaining the biggest single stake in Barlows.

Anglo had helped found Tiger. It was close to Rudi Frankel and had high ambitions in food after rationalising Tongaat and Huletts

It was therefore inconvenienced and not a little annoyed by the dealings of Mutual, which had also long been a close ally.

So Anglo was understandably agreeable this year when Tony Bloom came up with his elaborate scheme for repatriating control of Premier after the financial rand was scrapped and Associated British Foods became amenable to divest.

In dealing with Mutual's arch-rival, Liberty, Anglo and JCI were perceived to have dealt Old Mutual a slap in the face and Dr Jan van der Horst resigned from the Anglo board

Other individuals were badly put out by these events as well and Dick Goss and his entire board threatened to walk out Eventually Dick Goss stepped aside and the rest of the SAB board was appeased with nice management contracts

Today Dick Goss and Sol Kerzner have Sun International as a handsome consolation

This happened after Rennies was taken over from Jardine Matheson of Hong Kong by Mutual and Holiday Inns' and Southern Suns' casinos were pooled in Sun International The IDC sanctimoniously sold off its stake in Safmarine, so as not to have an interest in gambling

The repatriation of Premier brought Liberty and Anglo close together and there was widespread speculation that Anglo American Life and Liberty would end up together

Now that Donny Gordon has brought Stanbic into joint control, this looks less likely. This deal put Liberty into another Great Alliance, as Stanbic has recently become very close to the UBS

The latest dealing between the giants was Amic's arrangement with Bill Venter, in which Asea was put into Powertech at the bottom of the Venter electronics and power empire in exchange for shares at the top in Indumeni Amic thus becomes part of the control structure and Mutual, with 13% of Altron, is once again passed by

Three big deals in packaging also contributed to the agglomeration process Gencor's Kohler bought DRG SA and Xactics and Nampak took control of Metal Box Sanlam has lifted its stake in Abercom to within a whisker of outright control.

As the lists of companies within the spheres of influence of the Big Four indicate, the lines today are drawn as never before.

Apart from overseas-controlled groups it is hard to think of a major company that is not linked to Sanlam, Anglo, Old Mutual or Rembrandt

The four giants still have common interests and in the case of Barlows and Anglo, shares in one another Mutual and Sanlam are still represented in SAB and Liberty and Sanlam in Barlows Anglo has a stake in Metkor

Gencor and Liberty share control of Clydesdale, while Old Mutual and Gencor are together in Lydenburg Platinum Haggie is 35% owned by Gencor and 35% by Anglo Anglo and Gencor share an interest in Coalequip Murray & Roberts, Protea and Malbak are well held by both Mutual and Sanlam

But otherwise only the agricultural co-operatives, Kirsh Industries, Anglovaal, Pick 'n Pay, Wesco, and Toyota can be considered South African giants outside the stables of the big four

The Big Four dominate gold, coal, platinum and other metals mining, ferro-alloys, bricks, sugar, paper and packaging They are big in steel, mining equipment, construction and engineering, cement, chemicals, fertiliser, motors and retailing but do not totally dominate these industries They are biggest in three to five star hotels but have only a small part of the total hotel market

The SA public has been alarmed by these developments First, there is concern that agglomeration will undermine competition

Outside liquor, there is no evidence that it has Checkers, Metro Cash, Dions, OK and Pick 'n Pay have enormous buying power, which they do not hesitate to use on suppliers, screwing the best possible deals out of them

But they are in intense competition among themselves and most of the economies they screw out of suppliers go through to the consumer in the form of lower prices This is reflected in pre-tax margins of less than 5% on sales As Dr Mouton, head of the Competition Board, points out, it is possible for a single butcher in a small town to be more monopolistic than many of the big retailers in the cities So size does not necessarily undermine competition It can intensify it

All companies within a "sphere of influence" swear to arms-length dealing but there is no doubt that there is much tied business among the Big Four This accounts for part of the big scramble

But any company keeping business in-house too rigidly is bound in the end to be uncompetitive, so the scale of tied business is limited.

The best defence for the growing size of SA business units is that it rationalises them and makes them more competitive internationally Until now, a high gold price has sustained this one-product economy.

If gold is depressed for a long time, SA industry will need the size it is currently attaining to compete. Anglo and Rembrandt would certainly never have competed so effectively internationally in recent years if they were much smaller

While Anglo likes to point out that it has created, from greenfields projects, 26% of the R99-billion of value on the Johannesburg Stock Exchange, all the recent takeover activity has amounted to asset shuffling

It has not created greenfields projects or employment outside merchant banking and stock broking It has probably cost jobs through rationalisation and been demotivating in victim companies

The strongest objection to unchecked agglomeration is the enormous power it gives to a handful of business leaders and their limited accountability to the public

The directors of listed companies such as Anglo can be the targets of slings and arrows from shareholders at annual general meetings They are forced to provide a measure of information and their performances can be measured and commented upon by the Press

But the directors of the mutual life companies never face policyholders face to face They elect themselves Performances are nearly impossible to measure and published information is scanty They are therefore accused of being a law unto themselves

The mutuals heatedly contest this, arguing that if they are not competitive and responsive to policyholders' needs, they will lose out in the market Liberty would say they have

Barlows, always socially conscious and anticipating, perhaps, a growing public reaction, has taken a different tack from the past and from its rivals, by permitting public participation in its new gains

The creation of CG Smith Food — an amalgamation of Tiger Oats and CG Smith Sugar (of Reunert — the new electronics arm) and of Robor (the industrial division of Metal Box plus bits and pieces from Barlows) are some examples of new listed companies set up by Barlows after acquisitions Further divisions are expected to become public as track records permit

This is a more democratic approach, as it brings shareholders closer to management and makes management more accountable and perhaps better motivated

Usually, the bigger and more diversified an organisation becomes, the more inefficient and subject to a hiding from smaller, better-focused competition it becomes

There is growing evidence that the rule holds true in South Africa today and that the ground is being prepared now for the entrepeneurs of tomorrow

But until exchange control is relaxed we can expect more squabbling between the giants and even more domination of the private sector We can also expect legislation to counteract the process.

The Who's Who in spheres of influence

WHO'S in who's "sphere of influence" in South Africa?

SANLAM: Mining: Federale Mynbou, Gencor, 11 gold mines, Impala Platinum, Trans-Natal and Clydesdale coal, Gefco and Msauli asbestos, Samancor Bankorp, Trust Bank, Senbank, Santambank. Industry: Federale Volksbeleggings, SA Druggists, Sentrachem, Morkels, Kanhym, D&H, Trek, Sappi, Carlton Paper, Evelyn Haddon, Kohler, Standard Brass Unlisted. TEK, SATV, Fedchem, Grindrod, Coalequip, RUC Mining Contracting, Hall Longmore, Union Liquidair, Richards Bay Minerals, Firestone, Satbel, FedMech, Sparratt Electronics, Raylite

ANGLO AMERICAN: Amgold with 15 mines, some of SA's biggest, Johannesburg Consolidated Investments (40%), which, with Liberty, has 34% of SAB through Premier Group, Anamint with effective control of DeBeers and the Central Selling organisation, Amcoal plus Vereeniging Refractories, Rustenburg Platinum, Amaprop, Ampros, Carlton Centre, Anglo Farms, Anglo American Life and Amic, which effectively controls Highveld Steel, Boart, Scaw Metals, Mondi, Natal Tanning Extract, Sigma, McCarthy, AECI, Tongaat-Huletts, African Products.

SA BREWERIES: SAB Beer division, OK Bazaars, Southern Sun, Amrel, Afcol, Scotts, Edgars, Cape Wine and Distillers (30%), Sun International (37,5%)

LIBERTY: Liberty Life, Guardian National, Guardian Liberty Investment Corp, Rapp & Maister, Clydesdale, Fugit, Real Estate Corp.

OLD MUTUAL: Barlows, Lydenburg Platinum, Rennies Cons Holdings, investments worth billions, including the biggest stakes in Stanbic, Nedbank, and the largest non-Oppenheimer or DeBeers interests in AAC and De Beers.

BARLOWS: Rand Mines, Rand Mines Property, Impala Platinum, CG Smith & Co, CG Smith Food, Tiger Oats, Seaswa, Swafish, Lamberts Bay, Adcock Ingram, Pretoria Portland Cement, Imperial Cold Storage, Nampak, Metal Box, Robor, Romatex, Plascon Evans. Unlisted: Barlows Manufacturing, Monis & Fattis, Middelburg Steel, Caterpillar, Stein Bros, Delmas Milling, Dairybelle, Festive Farms, SA Oil Mills.

REMBRANDT: Rembrandt, Cavalla and other tobacco interests, Metkor, Stewarts & Lloyds, Dorbyl, Afgate, Air Products of SA, Union Steel, Volkskas (28%).

VOLKSKAS: UCDD, Bonuskor, Midmacor, Transvaal Suiker, Transvaal Malleable Foundries

This list gives only the main interests, concerns itself with South African interests only and does not reflect shared interests, such as Remgro's holding in Fedmyn, where an opposing "giant" has control

No hardening of office rents forseen

GOOD NEWS for those renting offices, but bad news for those letting them That was essentially the message of Martin Buss, Old Mutual property manager, at the annual Financial Mail investment conference in November

There is an over-supply of office rental space in all the major centres in South Africa and as a result rentals have been decreasing in real terms for something like the past 16 months

Mr Buss predicts that rentals are unlikely to go up for another 18 months, despite increased building costs

In a round-up of SA's major centres he was not optimistic for property developers' immediate prospects

An over-supply of office space in South Africa's main centres has caused rentals to drop over the past 16 months

JOHANNESBURG
Around 110 000m² of prime office space will be vacant by June next year and rentals will not increase from current levels of R15 per m². Only by June 1985 will rentals have moved up to around R17,25 per m² while the current over-supply will have eased marginally to 101 000m²

Mr Buss also forecasts a move out of the decentralised office parks in suburbs such as Sandton, Parktown, Rosebank and Bedfordview as leases expire.

These areas are experiencing increasing congestion, parking is becoming more difficult and rentals are not appreciably lower As a result of the move back to the Johannesburg CBD, rentals in these areas are likely to fall by about 7% from R15 per m² to R14 per m² Again he sees no improvement in this position until mid 1985

CAPE TOWN· The situation is no better in Cape Town. There is an over-supply of "respectable" office space of 10% Rentals in this region peaked in 1982 at R14 per m²

After the spectacular period of growth that gave rise to high rentals two things happened to depress the market again

Developers moved in to provide more office space and, at the same time, tenants began to revolt against higher rentals Many renovated older office blocks

This led to a drop in rentals to around R12,50 per m² and an over-supply in office space of some 80 000m²

Only mid 1985 does Mr Buss expect rentals to reach peak 1982 levels again.

Afcol set for the upturn

By John Tilston

DESPITE a drop in profits in the last financial year, Associated Furniture Companies Ltd (Afcol) is ranked tenth in this year's Top 100 list

The SAB furniture arm was rated for inclusion in this year's table on the basis of its performance in the five year period ending 31 March 1983. In its 1983 annual report Afcol stated that attributable profit had dropped to R27,4-million from the previous year's R30,6-million It was also marginally below 1981's R28-million

The company did remarkably well following the last recession Attributable profit rose from R4,1-million in 1978 to R28-million in 1981 The average compounded growth rate in earnings and dividends in the period 1978 to 1983 financial year end is around 48%. This performance was responsible for the company's high ranking

Afcol is a vertically integrated furniture producer Sales in the manufacturing divisions were up 9% last year, but declining margins resulted in a 15% fall in attributable earnings Sales were also up in raw material divisions, by 3,5%, but tighter margins again pushed earnings down by 15%.

A further blow to earnings was delivered by Romatex, in which Afcol has a 21,7% stake Attributable earnings from this source dipped by R1,7-million.

Furniture manufacturers are at the sharp end of any economic recession, as Afcol's results indicate In fact, as predicted by executive chairman, Laurie van der Watt in the annual report, its half year figures released for the period ending 30 September, 1983 (not qualifying for inclusion in Top 100 calculations) show a further 17% decline in attributable profit

Despite the gloom Afcol is well placed to take advantage of the upturn in consumer spending. Last year it spent R6-million on upgrading plant, equipment and vehicles This year it plans to spend about R10-million replacing and updating fixed assets

In view of the pressure interest rates are putting on balance sheets, borrowing is comfortably low. Afcol's debt-equity ratio stands at 0,09 down from last year's 0,14.

This also places the group in the happy position of being able to significantly increase borrowings to finance expansion should a market upturn materialise

It also means cash will be relatively easy to come by for acquisitions

TOP 10

Adonis ready for rise in spending

By Angus MacMillan

FROM a modest beginning in 1952, Adonis has established itself as a considerable force on the South African knitwear scene.

But despite the growth and market penetration that sees it in seventh position in the Top Companies survey this year, it still retains to a large extent the family flavour it brought from France some 30 years ago.

Chairman and managing director, Joe Bencen, identifies an aggressive plant modernisation policy and consistent marketing strategies as major reasons for success in the last five years. This is reflected in growth in after-tax earnings per share from 2,13 cents in 1978 to 16,39 cents in 1982.

During this period dividends increased from 1c to 8c (1981) falling back to 7c in 1982 and consolidated profits posted almost a nine-fold increase from R94 247 to R825 211. Net asset value per share rose 37%.

The dividend drop resulted from marginally lower profits and an increase in retained earnings for capital expenditure which was part of some R2,5-million spent on capacity improvement and modernisation of machinery since 1978. Adonis now boasts the most up-to-date men's knitwear plant in the country, reports Mr Bencen.

Current assets are more than double the 1978 amount at R3,9-million and a strong financial position has been maintained with liabilities less than 50% of assets.

Earnings per share for the 1982 financial year were based on after-tax profits of R533 676, slightly down on the 1981 figure of R550 802.

Although the recession has effected profitability, the Adonis, Dino Milano, Henry Ballantyne, Christian Dior and Little League labels all sold well in 1982 despite a mild winter. However the order book for the 1983 winter was at a lower level, said Mr Bencen in his annual chairman's review.

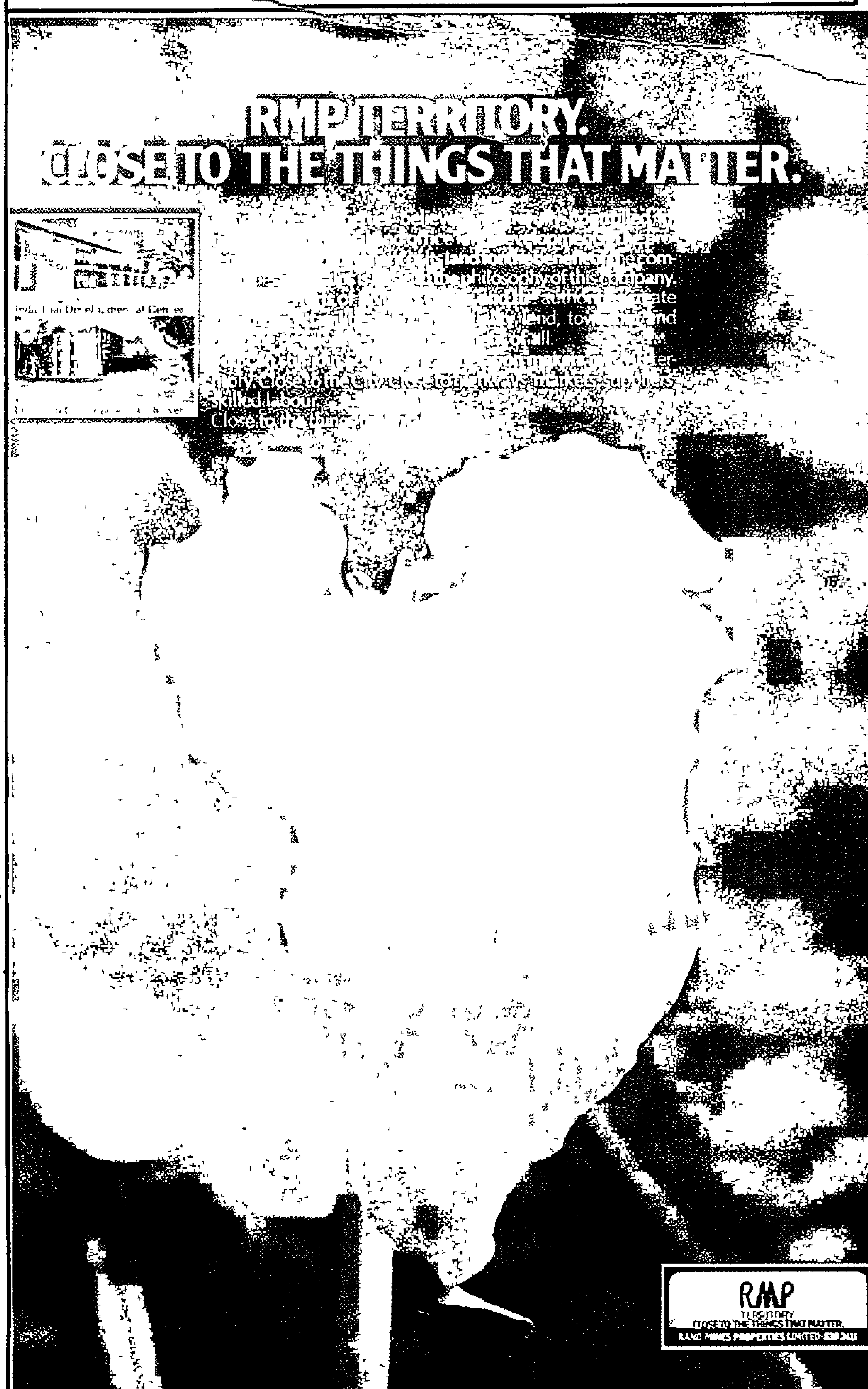
A build-up of customer confidence over a number of years is now evident as the group contiues to thrive in the middle to upper income markets. Sales to black consumers, however, have dropped as a result of unemployment in this sector of the labour market.

It is significant that 1981 saw an earnings per share increase of 54% and after-tax profit rising by a healthy 55%. This short, sharp spurt of growth also caused dividends to jump from 5c to 8c per share.

The group coped well in an economic climate where most manufacturers suffered as retailers kept stock levels to a minimum and adopted cautious buying policies It was in a good position to weather the rest of the storm, reported the directors in the annual report.

Results for the financial year ending September 30 were not available at the time of going to Press. However, the board does not expect to show improved results It is more than likely that profits will fall and dividends lose at least one cent per share.

Although the knitwear industry has not been as severely affected as other sectors, Mr Bencen feels that the main cause of Adonis's profitability squeeze is that retailers have been more concerned with liquidity than profitability.



‘Corporate culture’ concern

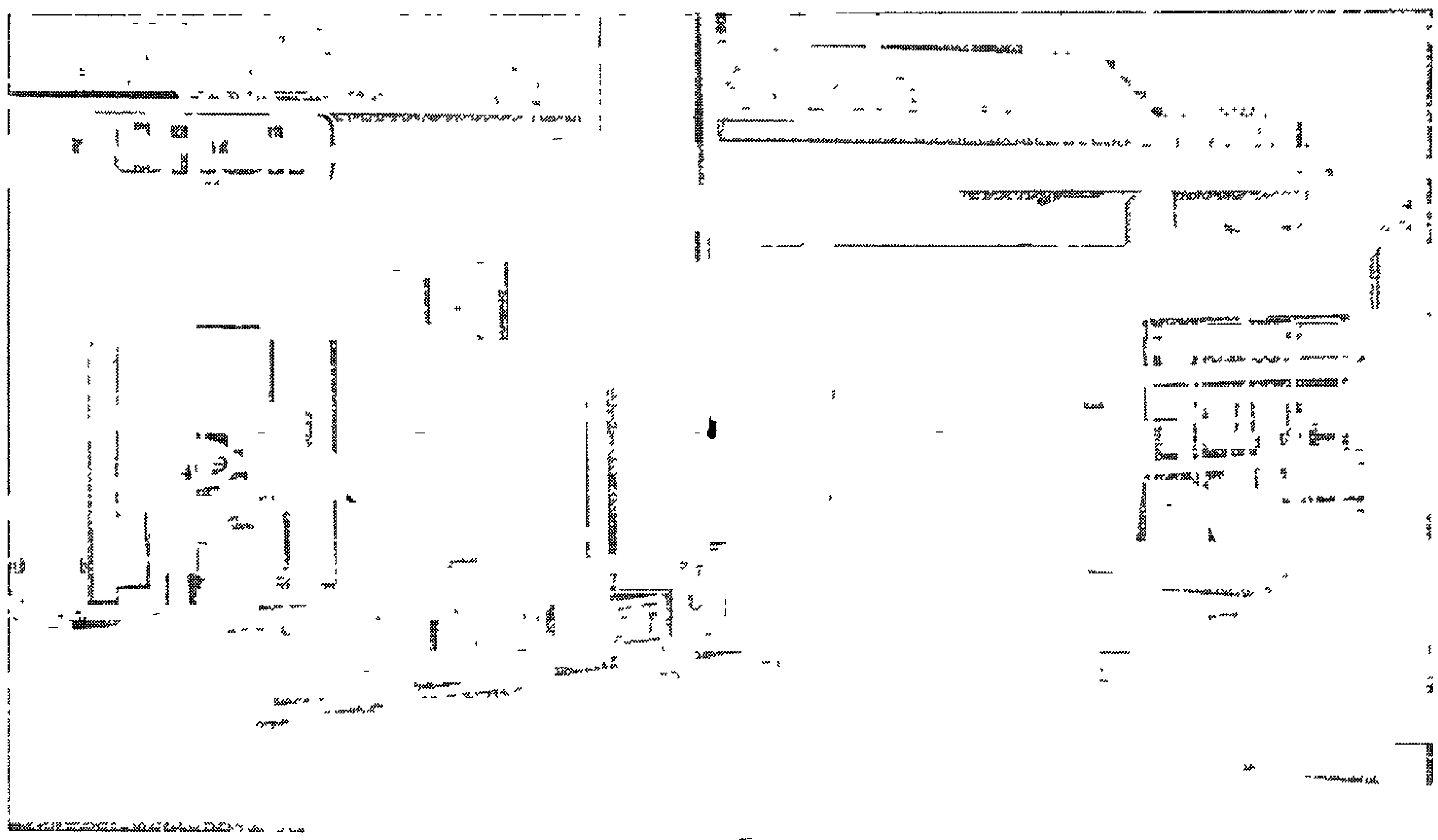
By Conrad Lorenz

SHELL'S strategic planners are a lucky breed.

Unlike their counterparts in many other companies they have won widespread respect and "clout" among top executives and line managers for the way they have helped the giant oil group grapple with the world's new found problems of low growth, cut-throat competition, political instability and all round uncertainty

Yet Shell's chemical subsidiary continued to invest heavily right into the late 1970s, particularly in giant plants — thereby only adding to the industry's overcapacity and its own losses

"It was a major strategic failure," says Leslie Dighton, managing partner of the Corporate Consulting group, a London-based consultancy which specialises in giving strategic advice to top executives



Shell ... getting to work on corporate culture

Shell Chemical's action was "widely discordant", not only with some of its competitors (who slashed their investment, turned to smaller plants, or did both), but also with the realities of the business environment

The key problem, says Dighton, is that in spite of the proven force of all the planners' work — notably "multiple scenarios" and "option planning" — and despite their influence on a number of Shell's divisions, they had failed to penetrate the corporate culture of the chemicals company

Even in the late 1970s, Dighton claims, the company still clung to an outdated "paradigm" (subconscious pattern of thinking) in which.

● The petrochemical industry "always grew faster than GDP"

● Profitability was a function of scale economies in production

● Changes in the outside world were merely shifts in a basically stable pattern

● Plant investment decisions were taken by engineers

This is just one of several graphic examples which Dighton uses to ram home his argument that it is often impossible to alter a company's strategy without first changing its culture — which he admits is an exceedingly difficult task.

A long-standing consultant for the likes of Shell and US General Electric, he has been grappling for years with the complexities of corporate culture For much of that time his work has been hidden by the myriad of US consultancies which offer all kinds of techniques to increase the sophistication of strategic analysis

But suddenly, corporate culture is in high fashion. Tired of over-intricate matrices and graphs, and at least aware that implementing a new strategy is far more difficult than them, top executives on both sides of the Atlantic are flocking to learn how to "get back to basics" — in the way they manage, as well as in the construction of their business portfolios

Thanks in particular to the million-selling book "In Search of Excellence", with its "keep it simple" message from two McKinsey consultants, a new industry of "culture consultancy" has been created

Over the last few weeks, Dighton has himself been advising many of the consultants and business academics who are rushing to join the new fashion

At Business Week's European Planning Conference in London in mid-October, and at the Strategic Management Society's annual general meeting in Paris last month, he treated them to stinging criticism of the conventional planner's view of strategic change that it is basically just a matter of making a highly sophisticated rational analysis and presenting this to the client

Only in two circumstances was rational analysis more powerful than cultural attitudes, warned Dighton when the company was in crisis and when a new chief executive had moved in The rest of the time, culture "has a massive impact on corporate strategy"

More often then not it was a negative impact

Since culture was basically an extrapolation of the past — an increasingly irrelevant and dangerous activity in today's uncertain world — planners would have to get to work on changing their company's cultures, Dighton argued They must shift the emphasis of their attention away from the company's "environment" to its "invironment" he said In many cases, the chief executive himself posed a major problem rather than being a challenger of conventional wisdom as he should be, he was its "custodian"

Financial Times

Training definitely IS cost effective

By Angus Macmillan

Needed . . . 9 500 technicians every year

THERE is always someone on the band-wagon ranting and raving about the importance of training.

Is this plethora of pleas really necessary or are we merely being bombarded with facts and figures against which we have little or no argument — due to either being complacent or misinformed?

No, there is certainly no question about this country's need for trained people but maybe the word training should be substituted by the term "skills creation" as it describes better what has to be done

While the unskilled employee is to a certain extent a scapegoat for the nation's economic ills, it is the employer and industry in general which become the long-term complainants — and the wounds are often self-inflicted through the neglect of manpower and resources

From another angle, skills creation is not only a prerequisite for creating a better educated and more effective workforce, but also a very considerable tool for profit as it channels effort into earning power

With the Human Sciences Research Council estimating that industry needs to spend some R600-million on training in the next 10 years, and this figure is gauged at current monetary values, the problem can be seen in perspective.

The shortage of technicians and artisans, for instance, is critical as industry needs to turn out 9 500 and 20 000 a year respectively compared with current levels of 2 000 and 10 000 Professional and managerial staff are also being under-produced and it is likely that more than two million people will have to qualify in these wide categories before the end of the century.

But training cannot (or should not) be embarked upon in a haphazard, panic-stricken manner if it is to produce the desired results for the individual and the corporate bottom-line.

There are at least three important guidelines that every employer should consider regarding training expenditure in this recessionary economic climate

They are

- Ensure that careful attention is paid to dimensioning training needs, assessing training priorities and allocating expenditure where it is most beneficial in both the short and medium terms
- Measure the results of training efforts in terms of productivity, cash savings, acquisition of relevant skills and improved individual performances This needs to be done as scientifically as possible
- Measure the productivity, professionalism and effectiveness of training departments or external consultants

It is also important to bear in mind, if using external consultants, that while there are several professional training outfits offering effective skills, the growth of this market has attracted fly-by-nights who can do more harm than good

Is training an overhead cost where expenditure can get out of hand, an area where budgets should be cut in recession? Or is it an area so closely linked to productivity performance that it is a top priority in the bad times?

For most organisations, the answer very likely lies somewhere between the two.

To illustrate further the necessity for skills creation, here are some experiences of concerns that have benefited substantially through establishing and implementing well-organised training programmes

- An electrical engineering manufacturer where the training of supervisors and attention to their other needs in two sections, led to a 30% improvement in output from these sections and a 20% reduction in scrapped materials
- A cigarette factory where the traditional learning period of two years for machine-setting was reduced to six months
- A tyre-mould manufacturer where, prior to the training programme, productivity on the mould engraving line was running at about 75% of the standard set in similar factories of the overseas parent company When the training exercise was only half-complete, productivity had already risen by 10% and workmanship had improved

In each of these examples, which come from the South African Society for Training and Development, it was ascertained that the financial benefits derived far outweighed the cost of the programme within a single year This is despite the fact that in each case external consultants were used to assist in developing the programme

This does not imply that each and every training programme one institutes will guarantee success There are certain priorities and guidelines that must be established if the desired effect is to be obtained

More specifically, the success of the above examples was due to the implementation of the following factors

- Establishing the correct training objectives
- Using the right approach
- Ensuring the involvement of management and supervision in the training process
- Making an in-depth evaluation of results

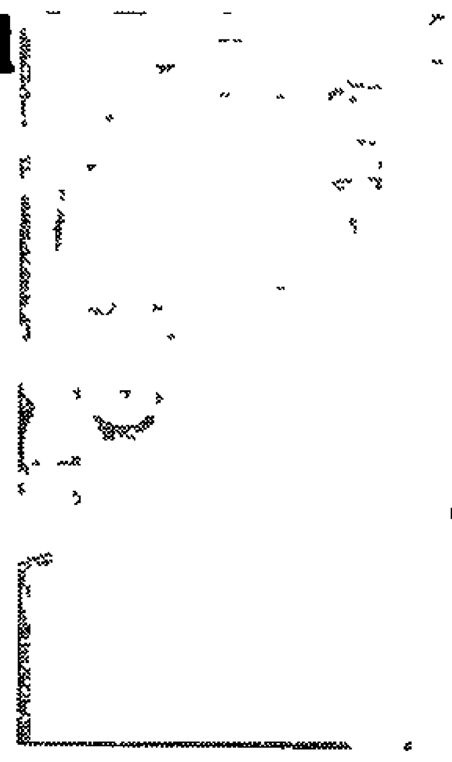
Naturally, in difficult financial times when turnover is down and profit margins are low, justifying expenditure on something that does not improve the bottom line results immediately is not easy

But the availability of competent, skilled staff must be viewed as one of the key strategic strengths of any business and an area where investment is always warranted

Banks beat the c

Standard Bank

Bright prospect for good growth



HENRI DE VILLIERS
Stanbic MD

STANDARD should on paper be right up with the top two But massive expenditure on computer systems at the short-term expense of profit has seen the group falling further behind Nedbank and Barclays every year

The market has radically revalued Standard over the past year, pointing to the realisation that now the capital expenditure programme is complete, the group has great potential

The share price rose from January's 800c to 1 150c by mid-November With this increase of 43,8%, it is second only to Trust Bank' share performance

The year was also a good one from a long-term organisational point of view

First came the acquisition of the Unisec group, and then the link with the country's biggest building society, United, with the UBS' managing director joining the Standard Bank board, and his opposite number joining UBS' board

The biggest coup, however, was the bank's achievement of getting joint control, for R84-million, of the country's largest proprietory life office, Liberty

This gives Standard a powerful team which can take on the best of them in the growing agglomoration in South African business

Profit wise, the past year has seen the return of loss leader Stannic to profitability

Provided the commercial banking arm, Standard Bank of SA continues its excellent growth of recent years, the group's profit growth for the year to end December may be in the 20% plus area

Rumours persist that Standard Chartered Bank will eventually be tempted into accepting an offer for the 52% stake it has in the Standard Bank group

Pressure has been mounting on Stancha, particularly following last year's results which show that the local subsidiary accounted for 25% of the group profits and as such is an integral part of the worldwide operation

NEDBANK BEPERK LIMITED

Soaring ahead — once again

ROB ABRAHAMSEN
Nedbank MD

NEDBANK was once more the star performer In the year to end September, the group achieved a record return of 27,2% on shareholders' funds, with after-tax profits rising 37,2% in the process

Shareholders also enjoyed an exhilarating ride The share price rose from 1 030c at the beginning of the year to 1 425c by mid-November — a rise of 38%, while dividend receipts were 36% up on the previous year

In fact, Nedbank's final dividend alone was half a cent higher than total dividends paid in the whole of the previous year

Nedbank also become the first banking group to exceed R100-million in after-tax profit, despite the fact that it's assets are around 30% below those of the country's largest bank, Barclays

All this was achieved despite the cost of R20-million to the Bank on interest which had to be paid on cheque accounts — a move which Nedbank was the first to make

The banking climate was also not particularly conducive to higher profits by Nedbank in particular, as the new competitive world impacted greatly on margins in the money and foreign exchange markets where Nedbank is the most active, proportionately, of the country's banking groups

It is clear that the Bank managed to keep costs well under control, while if managing director Rob Abrahamsen is to be believed, the strategy of being the first to offer interest on cheque accounts has actually had a beneficial effect on profits through increased market share

Finally, the bank justified the stock market's confidence, which rates Nedbank no less than R350-million more valuable than its nearest competitor

ALEC

South

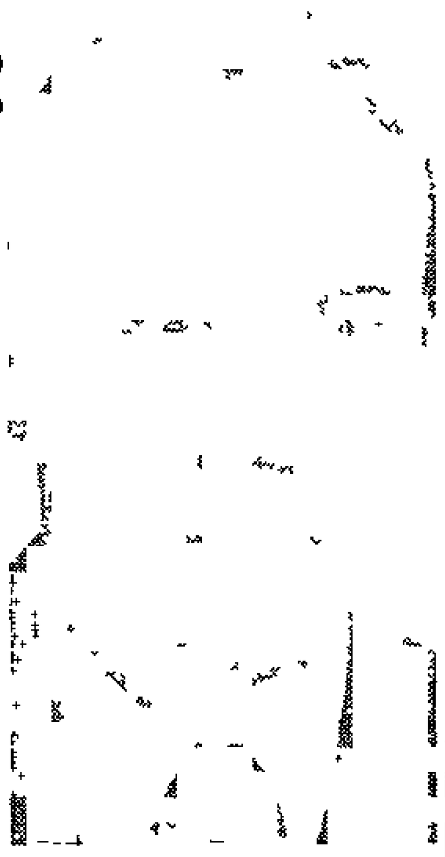
INCREASED c... and adverse busi... tions do not ne... make for lower p...

This was prov... banking sector d... when without ex... of the country's ... groups managed to economic reces... turn in record pro...

Their perform... tally upset early tions that the b... the 50-year cartel ment, the Register

Volkskas

Mixed bag, but outlook is good



PIETER MORKEL
Volkskas MD

VOLKSKAS will look back on 1983 as the year when notice was given that the vast potential in the group was soon to be unlocked

New managing director Pieter Morkel started making aggressive noises, and although Volkskas was never the first to move on the prime overdraft rate or other major developments in the banking world, a sharper, more competitive attitude became clearly noticeable

Profit wise, the year to end March was a mixed bag

The banking side of Volkskas performed superbly, with disclosed profit up some 40% on the previous year, but the bank's substantial industrial interests were hammered by the economic recession with profits falling 57%

The result was that group profits as a whole were 5,8% lower, although the directors displayed their confidence in the future by raising the dividend 15%.

The dividend is covered a healthy 3½ times, and the statement that cover will be lowered progessively suggests that shareholders' income will at least keep pace with the inflation rate in future.

On the JSE, Volkskas did not follow the strong upward trend of most banking groups, with the share price staying around the 850c to 860c level for most of the year.

It seems that the market is still not convinced that the Morkel-led management team is going to perform much better than its predecessors, but as soon as proof is given a major re-rating will occur

Volkskas's hidden reserves are substantial Under previous management the banking group took the view of disclosing as little profit as possible so that it would not embarrass its traditional supporters, the Afrikaans community, by its riches.

But with the more enlightened and aggressive management now firmly in the saddle all that could change next year

conomic recession

IOGG surveys— frica's Big Five

-ition condi- -rily its -y the 1983, ion all major of the and - to- edic- up in agree- Co- operation, and the consequent decision to pay interest on cheque accounts would impact heavily on the bottom line.

As significant, most people who invested in bank shares at the beginning of the year would have enjoyed a capital gain, on average, of 22,5%.

By comparison, the JSE Actuaries All Market Index recorded a decline of 3% over the same period.

Pulling up after a tough year

BARCLAYS

BARCLAYS came through a difficult early few months to perform above expectations this year

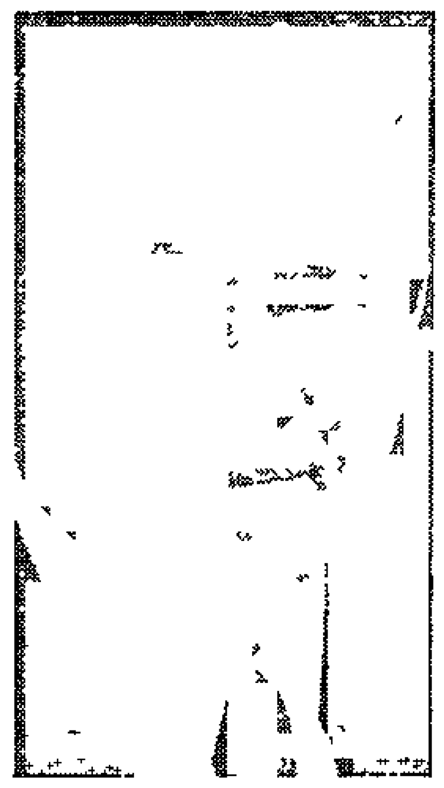
With the financial year-end only in December, however, the preliminary profit figures are not yet available But the market expects Barclays will show final figures in line with the 16% profit growth recorded in the half year to end June

It was not an easy year for the bank The resignation of managing director Bob Aldworth in December sent shock waves through the massive organisation, and the paying of interest on cheque accounts hurt Barclays more than any other

Barclays effectively countered the Nedbank threat to its top-market cheque account holders with its innovative Status account, which offers by far the best interest rates available, but that too was a costly exercise

Barclays' shareholders have not enjoyed the best of years, with the share price at the same level in mid-November that it was at in January

Perhaps the most significant development in banking circles during the year was the increased tension between Barclays and Nedbank



CHRIS BALL
Barclays MD designate

A festering sore at the Barclays head office is Nedbank's continuing ability not only to outperform it profitability wise, but also the fact that despite it has far less assets and thus in theory lower potential, Nedbank continues to record higher profits than the UK-controlled giant

Although Barclays' executives are adamant that the bank will be able to use its branch network (1 000 outlets) to best advantage in the future, so far it has not been able to do so effectively

The new hungry looking team headed by Chris Ball should come into its own in the next few years, and it is certain that the rivalry with Nedbank will, if anything, intensify further

Inroads into the English market

THE TRUST BANK

CHRIS VAN WYK
Trust MD

TRUST, the smallest of the country's Big Five banks, maintained its encouraging return to health

Much to investors' chagrin, however, the Sanlam-controlled bank still refuses to change its initial policy of paying a dividend before 1985

As managing director Chris van Wyk said recently "We have to be 110% certain, because of the bank's past, that when we start paying dividends we will never miss a payment again"

Trust Bank has adopted the Nedbank line of strategy, restricting its branch network to the large urban areas and ensuring that each outlet is a self-generating profit centre

Although the bank still labours under a client base which is mainly Afrikaans speaking, it is making inroads into the more affluent English speaking market particularly through its clever marketing of the total banking concept

Trust is also getting a greater share of corporate business, and its growth of 53% in pre-tax profits in the year to end June was the best of all the banks, although admittedly off a low base

The troubling property portfolio is all but solved, and the bank's lifeboat loan from the Reserve Bank will be repaid in full when it is due, believed to be at the end of next year

Its image has changed radically since the Sanlam takeover in 1977, and today Trust is seen as a go-ahead institution in its own right.

Market share in all divisions except instalment credit (which was consciously lowered) has increased sharply over the past five years and with saturation still some way off, this augurs well for the bank's future

The JSE has also taken Trust Bank to its heart over the past year, with the share price rising from January's 128c to 200c by mid-November — 56% — which is the highest of all banking groups

Tax havens and the exotic art of dodging

By Barry Sergeant

MINORCO, the Bermuda-registered Anglo subsidiary, has set the example in the use of off-shore tax-havens

Other companies looking to expand abroad — once no more than a fond glimmer in the eyes of many executives — may become reality in the near future if the current loosening of exchange control continues

Tax experts advise that companies should explore the intricacies of these exotic places, in anticipation of the forays being condoned

"While tax havens of varying attractiveness can be used in international tax planning, the international investor should be cautious in his choice", advises Mr Eric Louw, national tax partner of Coopers & Lybrand South Africa

"The intelligent choice is an indispensable part of any international tax plan, and the correct choice may be crucial Millions can be saved through proper planning," he says

Tax partners choose Bermuda, the Cayman Islands or Vanautu Apart from offering great tropical holidays, they offer varying degrees of immunity against tax.

Tax havens are as subject to fashion consciousness as woman's clothes Used as conduits for billions of US dollars (70% of world trade in 1982), and other currencies, companies change their havens at a whim

Some havens are old-time favourites. The Cayman Islands are three dots in the ocean with an area of 160 square kilometres. They will normally grant a guaranteed exemption from any possible future income, capital or capital gains taxes for a period of 20 years

This is provided the company concerned does not engage in trade within the Cayman Islands

The Netherlands Antilles is another favourite, with taxes being imposed on most off-shore companies at a rate of 3 percent, with this rate being guaranteed until 1999

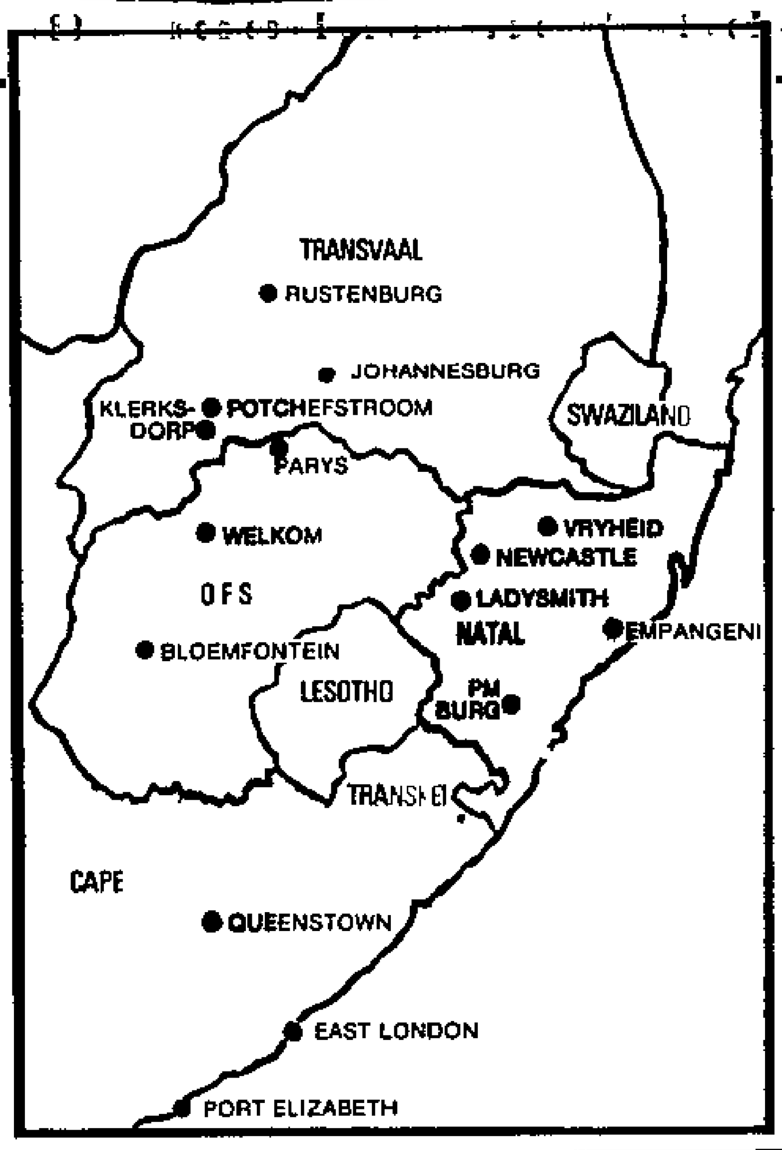
However, the winds of change may be blowing in this island haven, with the US, in particular, casting a jaundiced eye at tax lost there It is presently engaged in re-negotiating the double tax agreement between the two countries

Other countries are tightening up on tax havens Recently, Mr John Moore said in the British parliament that life policies taken with off-shore offices will now be taxed

Bermuda offers more than the Bahamas, and guarantees the complete absence of any taxes on foreign-owned companies until the year 2006.

Consider too, the tax experts say, the attractions of Vanautu, the former New Hebrides These islands have no income, capital gains, or death duty taxes whatsoever. Neither does Nauru — boasting a population of 7 000 — in the Central Pacific

It plays home to at least 500 off-shore companies, most set-up to avoid withholding and other taxes imposed by Australia and Hong Kong Its nearest neighbours of any consequence are the Turks and Caicos islands



Coke adds life to Suncrush

TOP 10

By Graham Fyford

"COKE IS IT" says Coke's new advertising slogan And that, in a few words, sums up why Suncrush Limited has been such a consistently good performer in terms of our Top 100 companies rating.

Number six this year — up from 27th position last year — with a quantum leap in earnings per share of 49,2%, the Natal-based bottling company is certainly on to a winning streak.

It has, in fact, been on to a winning streak for some time. Compound annual growth in turnover and profit over the past two decades has been an impressive 25%

Its unblemished record has even led chairman, Robin Hamilton, to doubt whether such a performance can be sustained Sales in the July to September period were showing signs of softening so this year may not be as good as last

But, always an optimist, he expects Suncrush to be back in the Sunday Times Top 100 line up again next year

How much of Suncrush's success can be put down to piggy-backing on world-acclaimed brand leader, Coca-Cola, and how much is due to aggressive marketing and good management?

Hamilton says it's difficult to say "Success", he claims, "is difficult to explain You can always find excuses for failure."

But clearly tying up coke franchises in various parts of the country and pushing cola products in addition to its other brands such as Fanta, Sprite, Tab, Krest, Schweppes and Sparletta, has given it a leg up over its competitors

A look at the Suncrush distribution map tells why Apart from a narrow strip along the South Coast the company has mineral water bottling and distribution in the populous Natal, Free State Gold Fields, P W V, Eastern Transvaal and Eastern Cape regions all but sewn up

In terms of its geographical spread, a large number of its consumers are blacks — a growing force in the consumption of mineral water products.

"The way the wage rate of blacks has pushed ahead recently has made a big difference to our sales," admits Hamilton

Having a product like Coke in its arsenal only made Suncrush's bottom line look rosier Internationally Coke is still the number one seller and in this respect South Africa is no exception

Growth in Coke sales has been phenomenal and new product innovations such as Diet Coke and the two litre non-returnable plastic bottle have only added to its appeal

Says Hamilton "Coke sales carry on inexorably With the arrival of Diet Coke we expect the demand for cola products to just grow and grow"

More than that, Hamilton reckons relations with Coke SA and its parent in the US are top notch There is a good two way communication between the companies and the time lag between the launch of new products and technical innovations and their arrival in SA has been cut to a minimum

Diet Coke, for example, was in SA only eight months after it hit the streets in the US

"Our two organisations are compatible," says Hamilton "We just fit in together As an organisation we're pretty aggressive on the marketing side and tend to want to get into new products The same, of course, goes for Coke."

Ironically, for Suncrush, Coke wasn't an immediate panacea There were some sticky patches along the way as the product struggled for dominance in a highly competitive and over-traded market

Suncrush acquired its first Coke franchise at Newcastle in the mid-50s, recalls Hamilton, and it wasn't until the mid-60s that the company started making money out of it

Old timers in the industry (Suncrush, an offshoot of the original Dalys Mineral Water Co, goes back 50 years) speak of those days with reverence

Hamilton, who joined the business in 1960 after the worst was over, says "When they say it was tough I believe them"

But Hamilton's late father, Douglas, who was chairman at the time, put his faith in Coke and stuck with it New franchises were acquired in the Eastern Cape, Natal and the Transvaal and, in the process, Suncrush diminished its competition with the Sparletta bottlers

Financing expansion proved to be a problem though. Fixed asset growth was rapidly moving away from revenue Investment capital had to be acquired through a series of rights issues But with the recent healthy profit advance financing lateral expansion has ceased to be an obstacle.

Suncrush's new R8-million bottling line at Richards Bay, which comes on stream this month, has been financed virtually entirely with company funds

There is one aspect to Suncrush's success which Hamilton feels probably does not get the attention it deserves. And that's its "people orientation" He says a lot of attention is paid to the working environment and consequently staff turnover is relatively low

The average tenure of the senior management team, for example, is 12 years Says Hamilton "We're fairly demanding in terms of performance but we are long suffering when it comes to handling people problems

"We make a lot of effort to find out what the causes are" Office politicking is another area which is verboten That much is made clear to newcomers when they join

Still, as the biggest Coke franchise-holder outside of Coke itself, Suncrush walks a tenuous tightrope. The soft-drink market has been carefully divided up by the various segment holders and Suncrush has to be careful not to be seen to be too assertive or aggressive

It is a situation that calls for the highest levels of diplomacy, and the management team meets the challenge admirably "It would be difficult to claim that my people are exceptional," says Hamilton, "although their performance could be said to be exceptional"

And what can we expect from Suncrush this year? Not much by way of new products is the current contention.

Diet Coke is expected to rule supreme, possibly pushing sales to new heights, and new packaging innovations like the two litre P E T will be expanded to other branches across the country Says Hamilton "Diet coke is the biggest thing to happen in years I just don't know what we could do for an encore"

Not one given to superlatives, especially when it comes to forecasting, Hamilton is cautious about prospects He professes to be worried about the impact of the drought and rising black unemployment on consumer purchasing patterns

Admittedly, it's in his nature to be conservative "People, especially shareholders," he points out, "find it easier to forgive" However, a parting remark, accompanied by a glimmer of a smile, is more telling "We're not depressed," he says.

If you think Top 100 is big...

By Barry Sergeant

IMAGINE the biggest company in the world.

More profits, shareholders, employees and assets than any other.

Known as Ma Bell, its name is American Telephone and Telegraph, and it will be dismembered on January 1 because Americans like bigness, but not when muscle — as they think — becomes synonymous with monopoly

. . . TAKE A LOOK AT THESE

At last count, it had about $155 000-million in assets The biggest bank on earth, Citibank, reflects assets of $129 997-million Assets of $65 000-million are attributed to Exxon, the biggest industrial (meaning on the Fortune 500 that more than 50% of revenues come from mining or manufacturing) company on the globe

World-wide, the company that Exxon frequently swops top place with is Royal Dutch/Shell, based in Netherlands/Britain

Spectacular, stratospheric and uncountable, these are some of the companies that have achieved the avowed objective of all business expansion, diversification, and continual growth in profits

Where there are winners, there are also losers Biggest money loser in Europe is Italy's Montedison (chemicals) Despite moving from nowhere to 163 on the FT 500 (where primary ranking is market capitalisation — share price multiplied by shares in issue) at 163, it showed losses of US $570-million

In the US, the biggest money-loser on the Fortune 500 was International Harvester at $1 638-million Bethlehem Steel lost more than Montedison, at $1 470-million, while Ford Motor lost $658-million

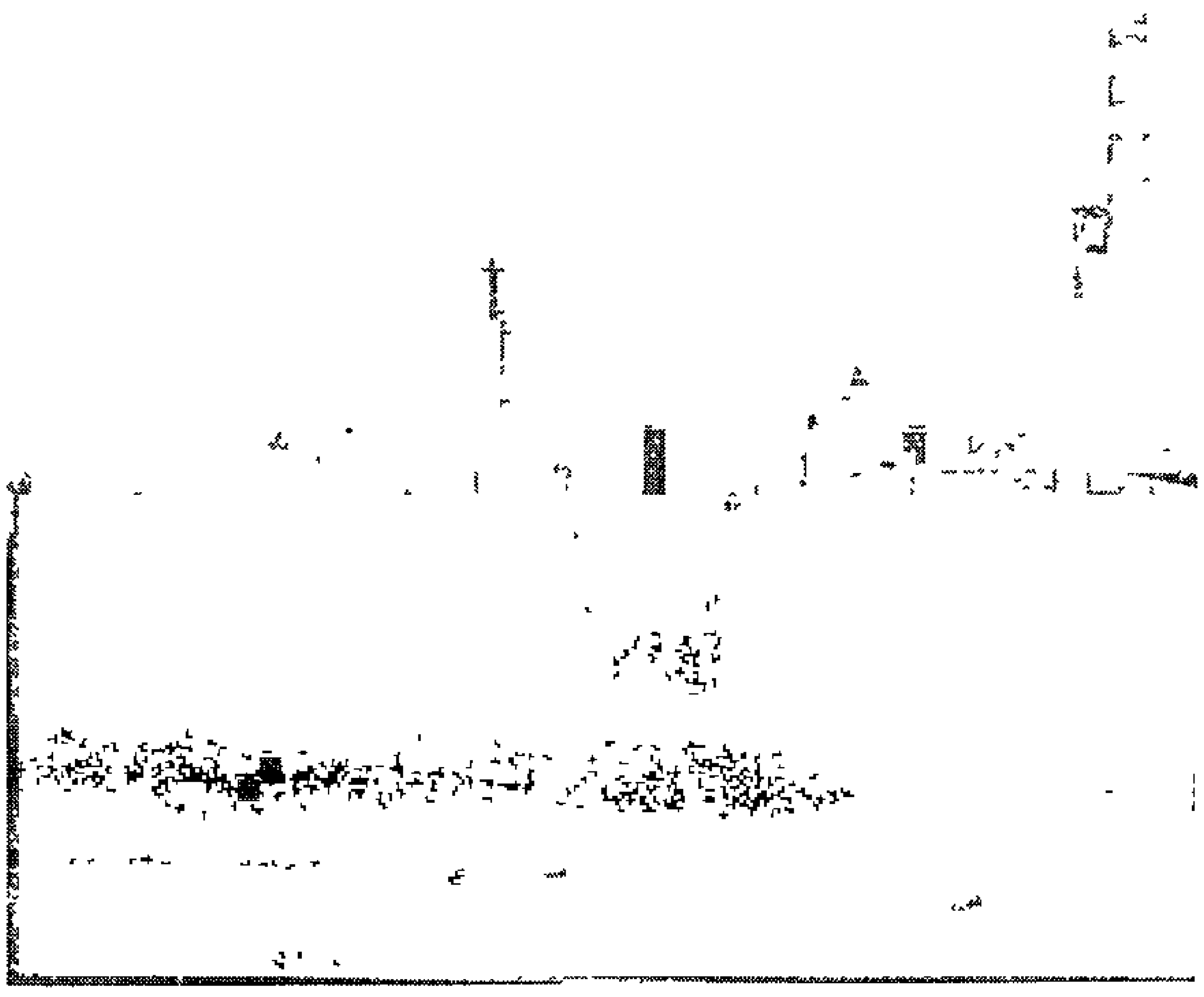
Second biggest profit decrease in Europe is by Volkswagen at -92%, while in the US, Gifford-Hill topped decreases with -97%

Top increase in profits in the US was registered by North American Coal (461) with 2 276%, and in Europe Italy's Franco Tosi — mechanical engineering — (440) increased profits by 3 097% This was because of a profit recovery, from a loss last year

Philbro-Salomon is the US's, and probably the world's, biggest diversified service organisation, with sales of $26 703-million and assets of $39 669-million

Service organisations are distinguished from financial companies such as banks, building societies and insurance offices They include hospitals, broadcasting and hotels

Largest diversified financial company in the US is Federal National Mortgage Association with assets of $73 467-million, Prudential is top life office with assets of $66 707-million, top retailer (by far) is Sears Roebuck with $36 643-million in assets



Petro-chemical firms annually vie for top spots in the international league

In the profits league, Ma Bell (AT & T) had net income of $7 279-million, Exxon netted $4 185-million, and Royal Dutch/Shell grossed $10 114-million

IBM recorded the largest profits made by an industrial company with a net $4 409-million The best return to investors, measured over 1972-82 is claimed by E-Systems of Dallas, at an average of 41,02%, while the growth for 1982 was 103% With only 12 000 employees, it turned in net profits of $36-million

A phenomenal employee-profit ratio appears from Britain's Land Securities performance At 45 on the FT 500, it produced pre-tax profits of $121-million with only 488 employees By contrast, it took Amerada Hess of New York 8 887 employees to produce net profits of $169-million

For all the criticism of Britain's economy and the re-appearance of so-called tribalism in its culture, it is the star performer in the European FT 500 Half of the companies in the top 50 are British, and it had the most entries in the overall league

For number of employees, Ma Bell — classified as a public utility — takes pride of place with 991 596 people on its payroll General Motors has — with 657 000 — more employees than any industrial undertaking in the world Ford Motor is second with 337 229. Philips (Netherlands) has the most in Europe (336 200)

Among the banks, Citibank is the biggest. profit and asset-wise This has been attributed to the $500-million it has spent on electronic data networks and communications in the past five years, and operations in 100 countries Its latest pre-tax figure is $1 296-million

Three French banks slot into the top-5 Banker 500.

Another sensational performance in Britain was Polly Peck's, which leapt on to the European ladder at 438 Its return on capital employed was 243% (the highest), and its profits increased 330% (6th highest), from $3-million last year to $14-million

A diversified industrial holdings company, its performance is one of the best in the world, although brokers in London are said to be wary of it It experienced a sensational floating on the unlisted securities market in London last year

In the sales tables, petrochemicals dominate Royal Dutch/Shell came second with $86 142-million to Exxon's $97 173-million Following world-wide are General Motors ($60 025-million), Mobil ($59 946-million), Texaco ($46 986-million) and British Petroleum with $45 453-while the largest British Bank is Barclays with assets of $95 328-million It also has the highest number of employees of any bank in the world at 120 000, a whisker ahead of Banco do Brasil's 119 413

Latest directories of the world's heavyweights show trends directly attributable to the world recession Fortune 500 found that total sales had declined 5,7%, the second drop ever and the first since 1958 The nominal 27% fall in profits — 33% in real terms — was the largest dip in the 500's history

The $10 000-million decline in Exxon's revenues marked the first occasion since 1979 that the company's sales had fallen below the $100 000-million mark The decline alone was more that the total revenues of all but 29 companies in the 500

Other new records were set. Losses made — 58 companies, drop in employment — 8%, and companies leaving the 500 — 41

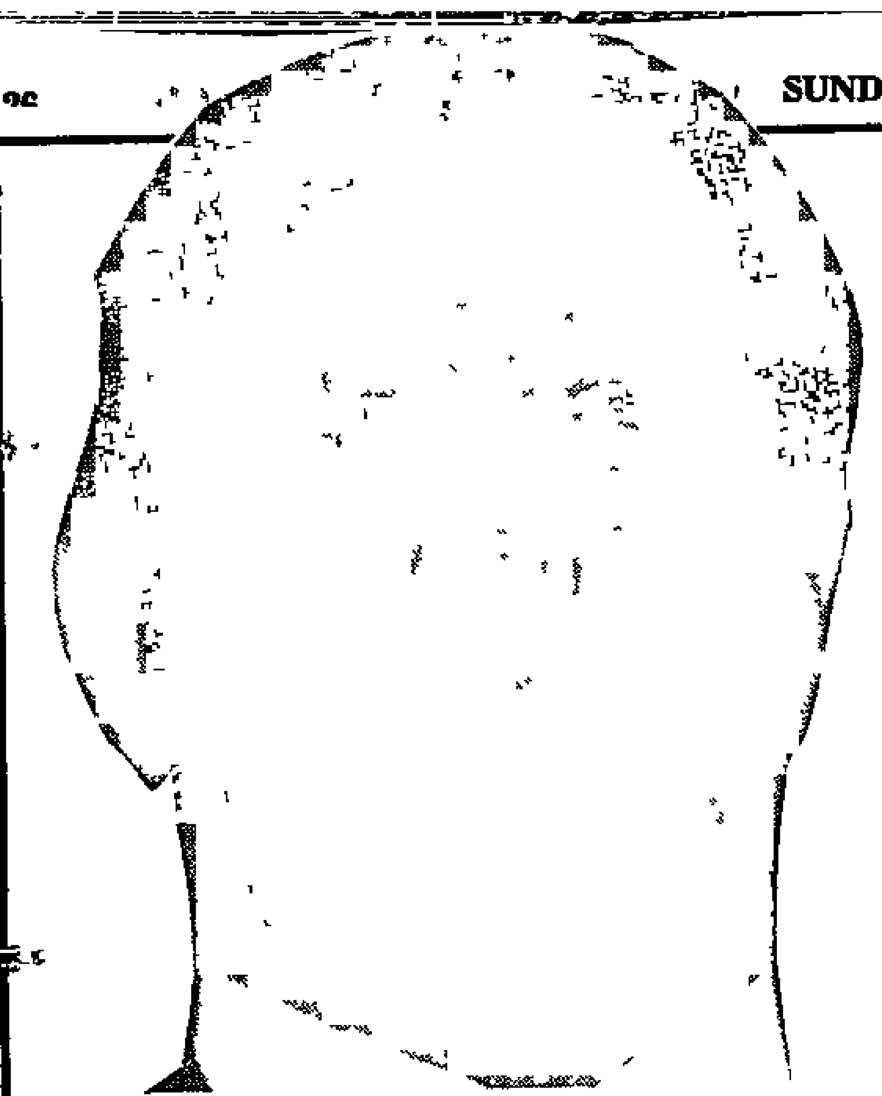
The FT 500, published six months after the Fortune 500, indicated more optimistic trends Pre-tax profits of the 500 increased by 4% on last year The hardest-hit were the engineering companies, with IMI, Lucas, Vickers and GKN dropping substantially in the placings

Accompanying the trend of the peseta, four Spanish banks plummeted in their placings, while three dropped off the 500 listings completely

Star performers included two Swedish companies Ericsson (communications and defence) moved from 98 to 27, and ASEA (plant and transportation) jumped from 133 to 43

The strength of the service industries was indicated by the performance of Saatchi and Saatchi, Mrs Thatcher's advertising agency It appeared on the FT 500 for the first time at 421

Employees of 1 486 increased profits 52,3% to $8,6-million, yielding a return on capital employed of 106% and a market capitalisation of $189-million



Minister Owen Horwood ... careful warning

Economy: Rest in peace, '83 . . .

By Alec Hogg

THE PAST YEAR has been the most difficult 12-month period experienced by the economy since the Second World War

A combination of a lower gold price, a weakening in consumer demand and tighter monetary policy as a result of an all-out battle against inflation made for the largest decline in economic activity since the 1930s.

And even if the expected increase in gross domestic product of 3,5% materialises next year, South Africa will still be in a worse position than back in 1981.

The year started off full of gloom. Forecasts from highly regarded economic units such as the Stellenbosch University's Bureau for Economic Research warned of hard times over the next 12 months.

Even the usually optimistic Finance Minister Owen Horwood warned that "1983 can be used to great advantage to promote the long-run prosperity of the South African economy Good times come to those who have prepared themselves for them."

Public sector spokesmen went out of their way to prepare the populace for the coming year of austerity The target of official policy was to slow the economy further and attack the untenably high level of inflation

Added to all this dampening of confidence was the drought. With agriculture accounting for roughly 8% of gross domestic product, the impact of the drought on projections for the year was strongly emphasised.

Mr Horwood backed his policy stance by giving the country one of the most restrictive Budgets in some years

On balance, the Budget was interpreted by the experts as a further dampener to the level of business activity, and certainly not stimulant.

Chairmens' statements in company reports con-

□ To page 27

Mixed expectations for 1984

From page 26

firmed that recessionary conditions had arrived in the real economy

Recession only started hitting individuals early in the second quarter Summonses for debt rocketed, retrenchments were rife and salary increases were non-existent.

Everything went according to plan until May Partly as a result of optimistic forecasts by Mr Horwood that the upswing would be underway by the end of the year, a resurgence of growth in the US, a stronger looking gold price and sharp declines in interest rates caused a significant rise in confidence

All of a sudden, it seemed, the drought was pushed into the back of people's minds, consumers started borrowing (and spending) more, and boom conditions prevailed in the residential property market.

Economists started forecasting a balance of payments surplus of R3 000-million for the full year, while a $600 gold price seemed just a matter of time.

The stock market enjoyed the spinoff from this new boomtime thinking, rising to record highs daily Gold shares were the leaders, and such was the confidence that they were at one time discounting a gold price some $100 higher than the prevailing level

As Business Times reported in June "South Africa is well into a full-blown recession, the severity of which has been badly under-estimated by most economists."

Even in July leading economists like UCT's Brian Kantor, pointing to a recent upturn in the index of leading economic indicators, argued that perhaps the upswing had already begun

Then the unthinkable happened.

The gold price dropped by $100 in less than a week and the rain would still not come

Interest rates rose from their two-year lows as the Reserve Bank tightened the screws on a money supply growth which was fast getting out of hand.

Government spokesmen reaffirmed their belief that inflation was the number one enemy, and for the first time it was publicly stated that single digit inflation was a priority

As Director-General of Finance Joop de Loor said: "South Africa cannot afford another boom until the inflation rate is below 10%"

Economic forecasts were rapidly adjusted The earlier suggestions that the economy would decline by just 2% this year were changed to between 3,5% and 4%

If further proof was needed, Government refused to let up on its tough stance prior to the Referendum — an almost unprecedented lack of politicking with the economy prior to an important political event

Looking ahead, the economic upswing looks as far away as ever

In recent weeks we have seen the prime overdraft rate climb back to 19%, and to make matters worse there is still strong pressure on rates.

In addition, a single digit inflation rate for technical reasons if nothing else, seems unlikely before March next year

Historically, an economic upswing only occurs some months after interest rates have established a marked downward trend

Virile industry . . . but SA can't afford another boom before inflation drops

Another first for Toyota

THREE other top company lists were compiled in November.

The London-based Financial Times ranked the top 500 companies in Europe and the top 500 companies in the UK on the basis of market capitalisation.

Top of the European list was Royal Dutch Shell with an average market capitalisation in June this year of $21,4-billion, followed by British Pretroleum ($11,7-billion) and General Electric Company ($10-billion)

The British list produced few surprises. Top slot went to BP, followed by GEC and Shell Trading and Transport.

Following on the heels of this list was one issued by a Geneva-based investment company called Capital International. It ranked companies on the same basis but using end-October figures. In their survey of companies outside the US, Toyota Motors of Japan was in the top slot with a market capitalisation of $14,2-billion.

Next on the list was Royal Dutch Shell whose market capitalisation had dropped to $11,9-billion, and third was BP ($11,5-billion)

South Africa's Anglo American Corporation managed 29th position with a market capitalisation of $3,8-billion. Driefontein appeared in 45th position and De Beers 53rd.

The trouble with international comparisons these days is the continual fluctuations in exchange rates. The strength or weakness of the dollar relative to companies' home base currencies plays havoc with the consistency of ratings.

Project finance: Tax dodge

PROJECT Finance — that most mystifying aspect of modern merchant banking — has become the major vehicle in the financing of new industry

Although the concept and use of project finance (PF) has been associated with the largest projects, such as Sappi and Atlantis Diesel Engines (ADE) — both costing around R800-million — the techniques used are important to all companies involved in manufacture

By Barry Sergeant

Smaller projects such as those involving the tooling up for the manufacture of a new motor vehicles have used PF facilities with great success

Some of the mystery surrounding PF can be removed by an examination of how it actually works

The gist of PF is the combining of tax allowances granted under the Income Tax Act with the cash-flows of a variety of parties who have an interest in the success of the project

So-called project sponsors may be interested in seeing the project completed for commercial or strategic reasons — an example is the Industrial Development Corporation's strategic interest in the ADE project

The heart of PF lies in the use of tax-allowances The most commonly claimed tax allowances are those for manufacturing To qualify, the plant and machinery invested in must be used directly in a process of manufacture

The Act then allows the cost of the investment to be written off against the taxable income of the investor At present, 130% of the cost may be written off — over a period

If, say, company A spends R1-million on plant, the Act allows A to write-off — through using PF techniques — 70% of the cost in the first tax-year, with the remaining 60% spread over the next four years

To write-off 70% — or R700 000 in this example — the company must have taxable profits of at least R700 000 as well. Assuming that A has taxable profits of exactly R700 000, instead of paying R323 400 to the Reciever (equal to the all-in company tax rate of 46,2%), it is allowed to keep the cash

The net result is that for each R1-million spent by a company on qualifying plant and machinery, 32% is paid for by Government PF is used in a situation where the investor does not have the profits to absorb the tax allowances

Sappi, for example, would have needed profits of R560-million in its first year of operation — an impossibility Under South African law, however, the investor is allowed to "sell" the tax allowances to a company or companies with sufficient profits to absorb the allowances

The Act allows qualifying assets to be leased, which in practice is done through a creature known as the leveraged lease the major vehicle used in PF The main participants in a leveraged lease are

- The equity participants (EP's) who supply the profits that are squared against the tax allowances EP's in practice are large, profitable companies
- The owner trustee who owns the assets — invariably in practice the project sponsors
- The project trustee who organises the flow of funds, usually a merchant bank
- The lenders — merchant and commercial banks — who supply the working funds

Who benefits? The EP's recieve a fee — usually 10 to 15% of the tax that they would have paid to the Reciever — in return for their participation, which amounts to the signing of a few documents

This is where the market term "the selling of tax-base" originates

The lessee pays rentals at a rate of about 2%, and the banks recieve around a 20% return on their money The project trustee recieves normal management fees, and the supplier is paid in full, in cash The only loser is the Receiver of Revenue, that is, the taxpayer

Following the transaction from origin — the picture becomes clearer. The trust agreement is negotiated, with the EP's taking shares in the trust The lease signed, and the asset — prior to purchase — is pledged to the project trustee.

Some of the the funds are raised from the EP's, the EP's paying the tax that they would have paid to the Receiver into the trust. It is on this amount that their fees are paid Assuming that the fees paid are 10%, the EP's would provide an amount equal to 29% of the asset value (32% minus fee of 3%)

The balance of 71% is provided by the shareholders of the lessee and the lenders (banks) who have their backs covered by the owner trustee providing the banks with bonds (guarantees) in respect of the funds provided by them

The owner trustee pays the supplier of the assets in cash, title passes to it, and the asset is installed with the lessee

The project trustee raises cash from the lessee (rentals), and from the EP's The EP's continue to provide cash because not all of the tax allowances have been claimed.

Any excess after settling the banks' debt service is passed through the owner trustee to the EP's — a return over and above the fees on their tax-base

The documentation required for a PF leveraged lease often runs to more than 1 000 pages The activities required to finalise the papers keeps a small army of merchant bankers and lawyers occupied

This amazingly complicated scheme is the result of sophisticated use of the Act by industry and big business to hide away the fact that the Receiver is forgoing millions of rands of tax revenue — estimated by Business Times to have been at least R2 000-million in 1982.

Some of the bigger companies — Anglo American for example — never comes to the market for PF facilities because it can organise the facilities in-house, as it has sufficient profits

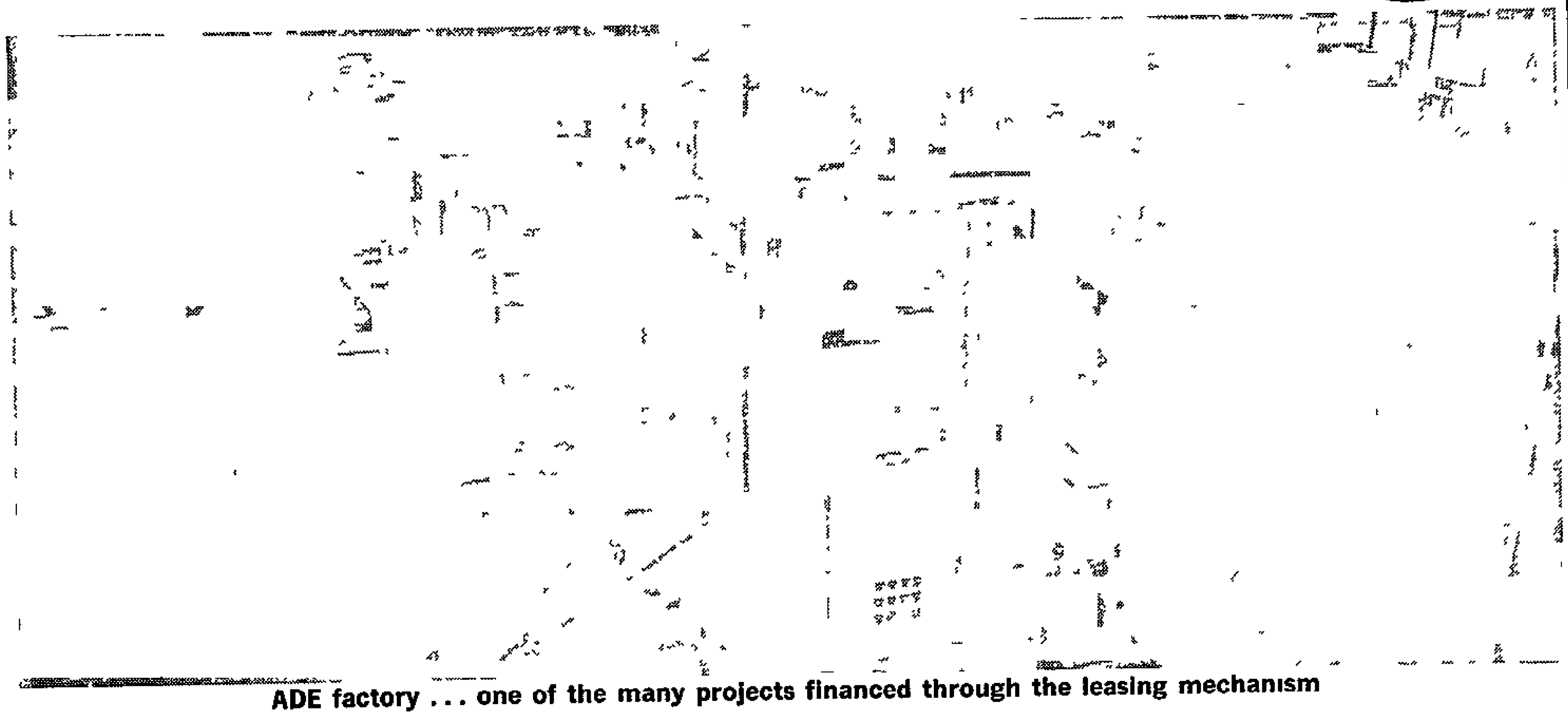
Apart from the manufacturing sector, tax allowances are also given to mines and hotels, who also use PF to maximize returns on tax allowances

Most large PF's are given to the Receiver for a ruling before documents are signed, so that there is no backlash later on

Because tax-allowances are "non-cash" items as far as the Receiver is concerned — the cash flows are restricted to the participating companies — the tax-paying public is given no public accounts on what amounts are foregone by the Receiver

In the US, leveraged leasing was known as "safe harbour leasing" until it was banned by the Internal Revenue Service earlier this year The IRS has estimated that it will forgo at least $30 000-million on leases already signed

In the UK, tax allowances cannot be sold After a decade of slow growth and low company profitability, a stockpile of £30 000-million in tax allowances has been created. If the allowances could be sold (as in South Africa), British companies would not pay tax for the next four years



ADE factory . . . one of the many projects financed through the leasing mechanism

5 ways to fund capital

PROJECT Finance is defined as "the financing of an economic unit in which the lender looks substantially to the cash flows and earnings of a project as a source of funds for the loan repayment and to the assets as collateral for the outstanding balance on the loan"

Project financing is not just "off-balance sheet", without recourse leveraged debt It may end up possessing these conditions, but it is primarily structured so that the lenders need not only look to the sponsor, per se, in evaluating the risks involved

Generally speaking, five methods are used to fund capital expenditure

- Direct borrowing — loan, debenture or mortgage finance
- Equity finance — ordinary or preference shares with conversion options
- Suspensive sale (hire-purchase) finance — repayment by instalments
- Lease finance — the lessee benefits from the lessor's tax allowances
- Project finance — where money lenders are prepared to invest funds in a project which can be regarded as self-sufficient from a cash-flow point of view

Big does NOT mean bad

IS BIG business bad? Does it present the ugly face of capitalism? Not necessarily, according to Anglo American chairman, Gavin Relly

At a speech in September, he said "No doubt we are very big indeed, but we should make no apologies for size

"Size is not a bad thing in itself It is a bad thing if we become so big that we loose any capacity to communicate with each other, to have an effective and direct management, sustain a moral dimension in our business, or if we deteriorate and become second rate and ineffective"

There are positive aspects to size and if Anglo American is to compete, not only in Africa but around the world, clout is essential and comes with size, he added

"What we should ask ourselves is what is the essence of our business and what is our thrust? Our thrust is essentially that of enterprise — to make money, to create business, to do things not simply to take over what other people have created The takeover game has its legitimate purpose, but it is not our game Our game is to do new things and build new business"

Style, said Mr Relly, is what really counts Anglo, he continued, has demonstrated style over the years in the development of a non-racial group, for instance it has had an intense and effective input into education through the Chairman's Fund

"It is such things — and our general standing in the community — that we have to worry about, especially because we are big"

Rough time ahead for industrial relations

INDUSTRIAL relations in South Africa is entering its most turbulent era as sensitive socio-political issues find their way to the union-management bargaining table.

Labour experts have emphasised that the future of industrial relations in SA will depend largely on the ability of the dispute regulating machinery, gazzetted after the Wiehahn recommendations, to contain the surge in black worker militancy.

Although businessman have confirmed their commitment to the Riekert and Wiehahn commissions' recommendations, trade unionists view it with strong suspicion

Workers have charged that the commissions' commitment to ensuring the optimal allocation of manpower is undermined by its very premise — the dedication to a free market economy

By Amrit Manga

"It simply streamlines and intensifies the influx control practices," according to union leaders

The commissions' objective was to ensure harmonious labour relations with a commitment to economic growth and a concommitant increase in job creation

But the total number of strikes continued to surge with more than 390 stoppages recorded in 1982, the highest since the gazzetting of the Wiehahn recommendations

One of the reasons cited by industrial relations managers and unionists has been that the state had also failed to comprehensively alter black political participation alongside its updated labour relations practices

Management and workers will therefore engage in a trial of strength on more than simple shopfloor grievances

Disputes can be expected to take on a mixed flavour of social, political and economic issues.

Though no all commentators agree, there appears to be an irreducible political element related to "meaningful power sharing"

And while Professor Laurie Schlemmer of Natal University believes that blacks in urban Natal are motivated mainly by economic factors in their unionism, there has been increasing evidence of workers making political demands

Workers belonging to the largest and most rapidly growing union federation, the Federation of South African Trade Unions (FOSATU) actively campaigned for a No vote in the November 2 referendum.

A South African Allied Workers Union (SAAWU) organiser says that the social reproduction of labour made political, community and labour issues inseparable"

"Labour which is sold to employers at the factory is largely produced in the social environment of the community which makes community and workplace issues inseparable," he said

FOSATU announced it will actively support its workers "in the community struggles" for similar reasons

Randal Falkenberg, MD of the contact group human resource consultants says "As business people our problem is how to handle this political factor in IR"

And Wells Ntuli, Anglovaal's director of manpower reckons it is much more difficult to resolve disputes outside the framework of shop-floor grievances

Labour relations will be further complicated by a lack of a meaningful framework for black political aspirations

Fred Ferreira, Ford's director of industrial relations is of the opinion that black workers' frustrated aspirations were ultimately expressed in the only official forum available to them — the trade unions

Ford, one of the first companies to recognise black trade unions outside the legal framework of registration and possibly the most progressive in terms of completely integrated facilities and non-discriminatory wages was rocked by a wave of strikes in 1979

Illustrating the reasons behind labour unrest in the motor industry at the time, Mr Ferreira cited a report from an inquiry into the state of the British motor industry in 1976, which said inadequate communication was at the root of poor industrial relations in that industry

In the South African context, added to the inability to communicate is the irrationality, suspicion and prejudice — with white unions unwilling to share their privileged position and with many employers reluctant to negotiate

Trade unionists also charge that there was mounting evidence that South Africa's major motor manufacturers were attempting to control the National Automobile and Allied Workers' Union

The claim followed a wave of strikes last year involving more than 13 000 motor workers

The union accused employers, particularly on the Reef, of offering large increases to non-unionised plants while firmly rejecting union demands

Mr Ferreira agrees that "labour relations are hindered by socio-political factors, so that, what is normally regarded as industrial conflict takes on racial undertones between black and white"

"And there is a growing tendency to use the legal structure to bring about other changes including political reform

"The need for excellence in negotiating skills is more urgent than ever before," says Mr Falkenberg

Strikes are perhaps the most disruptive form of conflict and the question currently foremost in the minds of labour experts is "How well has management been dealing with the strike?"

Unlisted firms worth huge fortune

MUCH of South Africa's wealth is held by a host of companies not listed on the Stock Exchange Many of them do not need to come to the market for funds

The 20 largest — excluding the multi-nationals — are estimated to have assets of around R100 000-million SATS and Escom together have about 25% of this value An international comparison is American Telephone and Telegraph which had $155 000-million in assets before recent US anti-trust rulings forced its break up into eight smaller units

By Barry Sergeant

The largest industrial company in the world is Exxon with assets of over $65 000-million

The unlisted giants in South Africa draw their funds from a variety of sources

● The very largest — the State corporations — are funded from retained earnings and borrowings on the capital market Operating expenditure for Escom, SATS and their ilk comes largely from consumers in the form of administered prices

● Foreign-controlled companies are funded from overseas holding companies and from restrained borrowings on the local market They are allowed to repatriate earnings to their home base The vast majority are unlisted

● Many financial institutions like the two biggest life offices, Old Mutual and Sanlam, and the building societies, are not listed They are funded by the public through savings, life endowment and life policies

In 1984 life offices and pension funds are expected to generate a cash-flow in excess of R8 000-million Short-term insurers will add more to this figure

● Farm co-operatives, of which there are more than 500 in South Africa, are a composite slumbering giant Vleissentraal — operating only in the meat market — is projecting a turnover of more than R1 500-million in the next 12 months

The other large co-operatives are Sentraal-Wes, OTK, Boeremakelaars Co-op, Noord-Wes Co-op, and the KWV The co-operatives are estimated to have assets worth more than R4 500-million

At the end of 1982, farmers had more than R33 325-million in capital assets, more than Escom, about a third of the assets of the top-twenty unlisted companies

● Trading houses are low-profile institutions that hold little in assets — because of the agency nature of their operations — but generate huge turnovers Derby and Co, a subsidiary of Philbros in New York — in which Anglo American has an interest — arguably has a turnover that would do any listed company proud

● Trading manufacturers and merchants that are associated with or are subsidiaries of large listed companies often receive necessary capital expediture finance through head-office channels and thus have no necessity of coming to the market for a listing

A shortlist of the largest include Mondi (Parent Anglo), Scaw Metals (Anglo) Middelburg Steel (Barlows), and Coalequip (Amic and Gencor)

● A multitude of other individually small bodies that, when aggregated, are massive Included are unquoted private companies, public utilities like the municipalities, investment trusts, unit trusts, pension schemes, medical aid schemes, unlisted short-term insurers, and professional practices like those of lawyers, accountants, dentists and doctors

Generally speaking the unlisted companies are all taxed differently — the state corporations not at all — making it difficult to compare their performances

The open-door requirement, so jealously coveted by exponents of the JSE, applies in different proportions to the unlisted giants The disclosure made is never of the same frankness known at the JSE This may be another reason why many of the unlisted giants have not come to the stock exchange

The big life offices, while not involved in the actual production of goods, control many of the largest listed companies Rather than provide finance for industry, they buy paper assets — shares Sanlam controls Gencor — and argued with Rembrandt about it, Old Mutual controls seven major companies

The life-offices have become remarkably active in property investment, along with the pension funds This has been said to be because of the tax advantages that flow from such investments Pension funds, although not taxed, ask for, and get, the same returns as taxed companies

The state-controlled corporations use a method of reporting that would not be tolerated at the JSE They use capital cost accounting principles which tends to disguise true profitability

The cost of replacing existing capital assets because of inflation is calculated and then charged to operating profits This is an effective depreciation allowance that takes not a cent from cash-flow but shrouds operating profits in fog

Brian Kantor, a leading academic and economist at the University of Cape Town, established that if Iscor reported the truth, its net loss of R22-million would translate into operating profits of R410-million, Escom from a loss of R58-million to a staggering operating profit of R1 700-million, and SATS from a surplus of R76-million to an operating profit of R226-million

If Escom's performance and growth was discounted on a future cash-flow basis its value is R27 600-million If its debt of R6 700-million is deducted from this it has the equivalent of almost a R21 000-million equity value Even by world standards this is large

The Jekyl-and-Hyde foreign subsidiaries that stay clear of the JSE are mum to investors and the Press While there is no doubt that many of them would be swallowed up by local investors, they prefer to repatriate earnings and remain silent

IBM is one collossus that would be a blue-chip should it come to the JSE It will not reveal its turnover in South Africa A guess is that it is at least R350-million per annum

More important is IBM's level of profitability Its parent in the US last year earned more profits than any other industrial company in the world If the same applies to the local IBM — albeit in relative terms — then it may be making profits that would be the envy of many Top-100 companies

FAREWELL TO HEFTY WAGE INCREASES

By Amrit Manga

EMPLOYERS are expected to apply tighter wage restraint in the years ahead even though rates of increases in earnings in real terms declined on average by 1% during 1983

Real disposable income — that is the total take home pay — fell 2,3%, which is 1,9% steeper than the 0,4% decline recorded in 1982 This decline follows the elimination of overtime and the implementation of a shorter working week, mainly in the metal industries

Haggie MD Richard Savage says that in the steel and engineering industries, actual cash paid out in inflated terms during this year will be almost 40% less than in the previous year

And retrenchment programmes adopted by companies to weather the current economic storm have done little to help shrinking wage packets

The situation will not improve significantly because most plants will be shut down earlier than usual for the Christmas season

A surge in salaries and wages experienced during the sixties and seventies after a virtual wage freeze during the earlier decades is, however, not expected to be repeated during the eighties

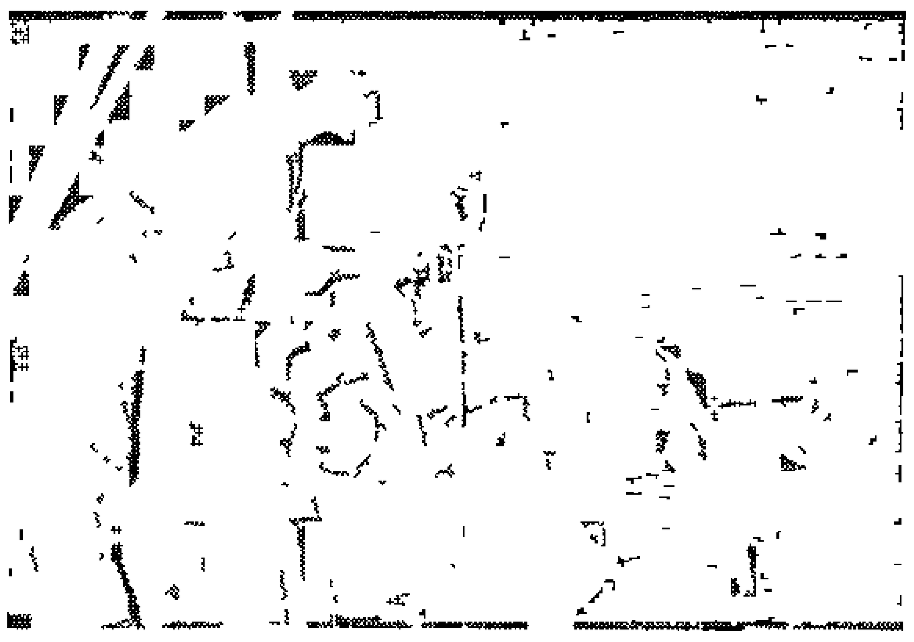
In reviewing wage and salary trends of the past two decades it is clear that the wage earner improved his relative position somewhat during the 70s when compared with the 60s

This is reflected in the increase in the share of wages and salaries in total personal income from 73,9% in the sixties to 79,3% in the seventies, according to the Bureau of Economic Research BER at Stellenbosch University

The seventies also experienced a movement towards redistribution of income away from white workers in favour of workers of the other population groups

"During the period 1973 to 1981 the average real salaries and wages of black workers increased by 54% compared to a rise of 4,1% for white workers, according to the BER.

"Changes in the skills mix and increases in the marginal product of mining workers arising from a particularly high gold price have been identified as some of the reasons for the redistribution," says BER Director Attie de Vries.



Overtime ... will it become a thing of the past?

The result of the surge in salaries of black workers at a much faster pace than labour productivity became a serious problem area and economists have warned against a repeat of the trend for the 80s

With wage rate increases expected to be 10% for 1984, 21% for 1985 and 26% in 1986, the rate of inflation could be boosted to around 14% in three years time, warns the Rand Afrikaans University.

The study estimates that inflation will, however, drop to below 9% in 1984 and will stay there throughout the next two years only if wages are held down to 9%, 11% and 12% respectively for the next three years.

But wage restraint could have grave implications for the volatile industrial relations scenario and could lead to a repeat of the 1973 strike wave.

One of the most influential factors in the dramatic wage increases during the 70s was the surge in industrial unrest and black worker militancy which swept the country in 1973 and then again in 1976

In 1973 a record 229 000 working days were lost through illegal strikes This together with unrest on mines led employers to scrutinise wage structures leading to the largest increases in earnings during the 60-year period up to the 70s.

From as early as 1917 right up to the 1970s South Africa maintained perhaps the most distorted distribution of income between individuals and race groups in the world, according to the Southern Africa Labour and Development Research Unit (SALDRU)

Yet since 1970 a sudden reversal of this historical trend has occurred resulting in substantial increases in black incomes and a significant reduction in inequality indices

The 1979 Chamber of Mines Annual Review stated that the average minimum wage rates were almost eight times higher than in 1971, an increase of almost 660%

"In real terms, however, the achievement is far less impressive, amounting to 216% or just over twice the very low 1970 wage," according to SALDRU

These substantial percentage increases were made from an abysmally low absolute base figure for 1970

Black mineworker wages remained static for 60 years and the absolute level of R18 per month in 1970 provided an ideal launching pad for the dramatic percentage increases of the seventies

By 1980 black mining wages were almost in line with other non-agricultural sectors but still below the mean black average

The increase from R18 to R172 (9,56 times) is phenomenal when compared with manufacturing where black monthly earnings rose from R52 to R224 This represents an increase of 4 31 times

This year's rate of growth in salaries is predicted to be much lower than in the previous two years

The first two years of the eighties-decade continued to be promising for workers

Wage packets grew in nominal terms by just under 33% in 1981 and by 25% last year but this year saw a turnaround in the trend as economists argue for increased fiscal discipline, implying less government expenditure and higher company savings through lower wages

Barclays Bank's chief economist Johan Cloete warned that wage increases unmatched by productivity improvements constitues wage and price inflation

"If real wages — that is after adjustment for inflation — are allowed to outstrip productivity growth, the competitiveness of the economy cannot be retained, employment and living standards must fall," says Arthur Hammond-Tooke, director of economic affairs at the SA Federated Chamber of Industries

Company executives have not been spared from the eroding effects of inflation either

Professor Ed Lawler of the University of Southern California says South African executives are earning less than they were ten years ago but retain their position among the highest paid in the world

"But their total earnings could improve significantly as companies weigh the benefits of liberal cash incentive schemes and stock options so that salaries keep pace with inflation and taxation, says Prof Lawler

Consultants: Are they worth it?

IN TODAY'S versatile business environment it is impossible for the average company to employ and afford the ideal skills balance to make it independent from external advice and consultation. Even the giants are vulnerable in this regard.

For this reason, management consultancies have sprung up in various shapes and sizes to farm out their array of expertise on the corporate market.

Although not on the same scale as in the United Kingdom and the United States and Canada, management consulting has become a growth industry in South Africa and is represented by an official institute headed by Professor Johan Coetzee of Potchefstroom University's business school

Report by ANGUS MACMILLAN

Well known names on the local scene are Arthur Anderson, Price Waterhouse and P-E Corporate Services who account for most of the country's estimated 300 professional consultants

Generalisation is invariably a fruitless and irrelevant excercise, as it is when measuring the pros and cons of professional consultants, and their effectiveness cannot be gauged on a cut and dried basis

The individual or small partnership consultancy, for example, has a different role to the large group which comprises a greater skills mix and wider variety of applications The smaller unit is likely to specialise in certain areas and build a name on that basis

Objective impartiality and a reservoir of varied implementation experiences on which to draw, are particular attributes that are part of the consultant's nomadic corporate relationship This is often preferable to the parochial, albeit solid expertise of the full-time employee

It is not practical for a profit-oriented organisation to take on to its permanent staff someone who will only be productively warranted for a limited period — at least in the foreseeable future Therefore, in the one-off situation, which may involve the planning of a new factory, implementing a plant control system or establishing viable product markets, the external adviser comes into his own

This is not to say that consultants are mainly involved in single implementations In fact most of them are reliant on repeat business for their bread and butter to the tune of 60% of their activities But one-offs are certainly a significant feature, often leading to further business if the client is satisfied

Impartiality is an advantage in that they are not involved in in-company rivalries and their performance is not tied to promotion prospects In short, they are able to get on with an assignement without the pressures and distractions that are part and parcel of corporate life

It could also be said that they are more likely to have an objective view of the job in question as their experience has given them valuable insight into problems and characteristics on similar assignments

However, distance is not always a blessing in disguise It can lead to personality clashes with permanent staff who resent "interlopers" in their midst or have some other axe to grind And if background knowledge is insufficient, external theories and implementations may hamper rather than enhance a company's performance

Proposals and feasibility studies are essential for the latter problem to be overcome as they outline ideas which must either be accepted or rejected by the client Continual monitoring and progress reports are then needed to ensure success once these have been presented and accepted

Another drawback that must put many decision-makers off using external services is the lack of continuity and comeback once the assignment has been completed This can be a serious problem where high technology is concerned and when production and profits are jeopardised

To guard against this, it is of paramount importance that the end result of consultation is carefully analysed so that any deficiencies can be ironed out while contact is still "warm"

In Britain, the US and locally there have developed one-stop consulting shops which provide a wide range of intrinsic personnel and production related skills

Typical areas covered by these "hyper" consultants include recruitment, personnel systems, industrial relations, behavioural sciences, technique and skills training, computer software, manufacturing and production philosophies, building project management, strategic planning, stock control and warehousing

Criticism of this development can be directed at the lack of specialisation but the counter-attack would be that each consultant is an authority in a particular field and that both quantity and variety are offered

Seen in perspective, the one-stop idea is merely a means of expansion in an industry where people are the raw material and the profits It is also pretty much the norm for growth in most product and service organisations

Although it cannot really be defined in a word or sentence, management consulting can safely be categorised as a tertiary service with applications in both the primary and secondary spheres of commerce and industry

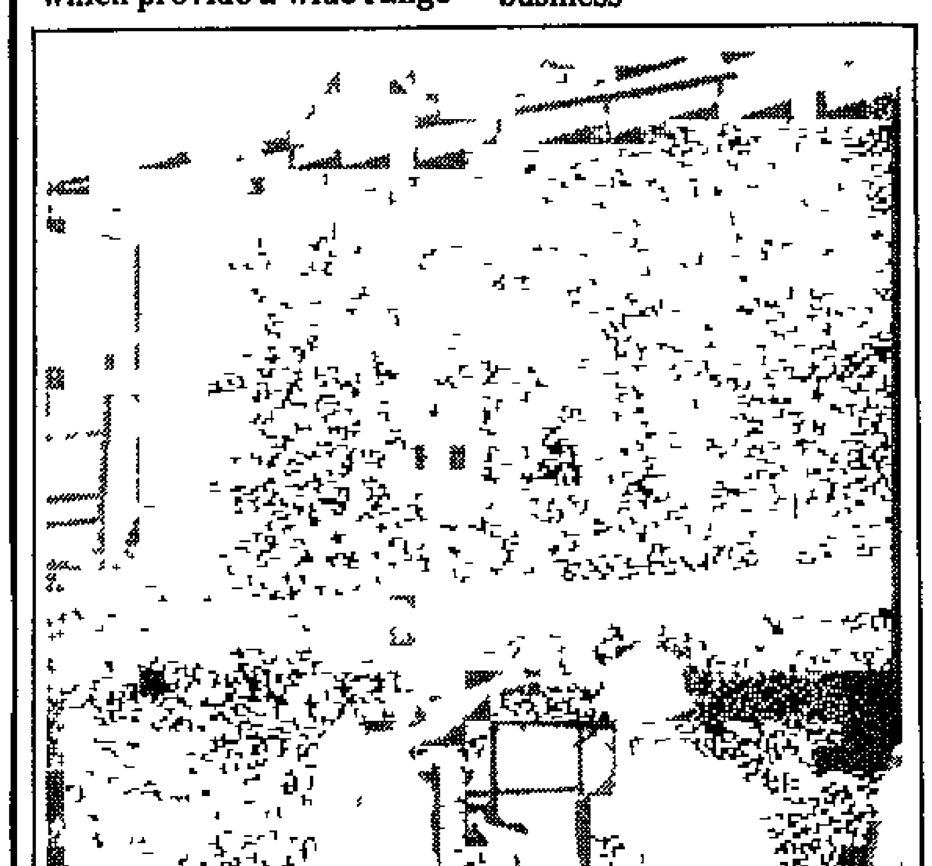
By some it may be seen as a pedlar of curative rather than preventive medicine and as a corporate scavenger rather than a cog in the symbiosis which is the free enterprise system

A more realistic appraisal is that consultants are middlemen who sell their wares in a viable market which is critically short of urgent skills They would not be able to survive if companies were independent to the extent that they were able to provide sufficient skills in-house to meet all their needs — and that is a tall and unattainalbe order

Time and cost management is an important aspect in academic courses preparing students for careers in the corporate environment It is also this emphasis which has brought about and safeguarded the existence of external advisors and consultants

As the saying goes, time means money and most organisations find it more cost efficient to employ someone to sort out a particular problem than to embark on their own investigation In many cases they would be able to find their own solutions but end up seeking assistance to save time

It is largely the pace and complexity of modern-day business that provides a place for consultants in business



Building boom . . . to the end of the decade?

Building boom around corner

THE BUILDING Industry Federation of South Africa (Bifsa) believes that the building industry will face a boom next year that will last to the end of the decade

However, if past experience is anything to go by, serious bottlenecks could develop During the last building boom annual price increases hit a peak of 30% and critical shortages were experienced, particularly in the manpower field

The industry has been expanding its training activities in an effort to ease shortages the next time around Bifsa reports that it is seeking Government approval to import building materials from overseas.

If successful, Bifsa believes this will considerably ease upward pressure on prices as local supplier cartels are bypassed.

Sound finance pays for U & L

TOP 10

By Angus Macmillan

UNION and London, Sage's investment trust, is in the "royal" bracket this year and has rocketed from 40th to eighth position

This jump has been achieved through an average annual compound earnings growth rate of 43% over the last five years

Its solid performance is largely due to some sound medium-term investment banking and entrepreneurial financing which has paid handsome dividends in recent years

Having sold its equity portfolio for R20-million, which included a seven-year slice in Southern Sun, the idea now is to concentrate on investment banking through buying into junior partnerships in up-and-coming unlisted companies, says MD John Baikie

Then the aim is to back them with equity capital, let them come to maturity and consider stock exchange listings in the long-term

This is the intention with the assets it has not sold — 40% of Hertz Car Hire, 50% of direct selling house, SAK, 35% of Sandown Motors and a 30% interest in International Cosmetics and Fragrances

Growth in earnings per share from 33 cents in 1978 to 153 cents in 1982 shows how effective policies have been with net asset value also showing a healthy four-fold increase to 1 028 cents

Market value of total assets grew from R6,2-million to R22,7-million in the same period and dividends rose from 25 cents per share to 96 cents

After-tax profit increased from R400 000 to R1,6-million

Shedding its traditional investment trust role, Union and London's decision to acquire strategic investments in select unlisted and listed concerns brought about a new rights issue in March this year to raise development capital

There was also a subdivision of share capital into four shares of 25 cents each for every R1 share held in May to "improve marketability on the JSE"

The Southern Sun venture, which saw a R1-million investment in 1976 appreciate to R11-million when sold off this year, was instrumental in assisting the group's track record and reflecting a healthy share price and dividend yield

Mr Baikie and his team are not considering high-risk projects but rather looking for a few large investments in companies that have sound management, promising products and significant market share

"We are serious long-term investors not looking for an overnight buck We want to operate on a partnership basis bringing the company to fruition over a number of years," he says

He is confident that U & L will be successful in its bid to find sizeable investments in high growth companies as it is content to be a sleeping partner unlike many hungry groups that are invariably seeking eventual control

This confidence extends to the new emphasis and direction recently embarked upon to maintain and improve future earnings, share prices and dividends in the long term

Being part of the Sage network and close to Nedbank, Union and London has better access than most to funding for investment ventures and is likely to derive maximum mileage from this convenient marriage

The firms we did not count

AS WE POINTED out in the rules to this competition, we exclude some companies from our Top 100 list for various reasons

We have detailed below the companies that have been excluded this year and the reasons for such exclusion

General

● General exclusions Mining Companies, Banks, Insurance Companies, companies whose latest accounts were earlier than September 30, 1982, and companies ranked below Top 100

Specific

● Specific exclusions (A) Major change in capital structure, (B) change in basis of accounting — results not comparable, (C) major portion of earnings from other listed company; (D) major fluctuation of profits or missed dividend

The letters behind the companies listed below refer to the reasons for specific exclusion

African & Overseas Enterprises Ltd	C
Anglo American Corp of SA Ltd	B
Anglo American Industrial Corp Ltd	B
Bester Beleggings Bpk	D
Bromain Holdings Ltd	D
Berzack Illman Investment Corp Ltd	C
Caxton Ltd	D
Coki Corporation Ltd	D
Federale Mynbou Bpk	C
Group Five Engineering Ltd	D
Hesperus Holdings Ltd	C
Hortors Trio Rand Ltd	A
Investors Club Ltd	C
Jaff-Delswa Investments Ltd	C
Kanhym Investments Ltd	B
Masonite Africa Ltd	D
Mobile Industries Ltd	C
Metkor Ltd	B
Nictus Finansiele Ind Bpk	D
Oceana Development Investment Trust plc	D
Placor Holdings Ltd	C
Power Technologies Ltd	B
Progress Industries Ltd	D
Rembrandt Controlling Investments Ltd	C
Sakers Finance & Investment Corp Ltd	C
Textile Mills (1947) Holdings Ltd	D
Tegniese Beleggings Korp Bpk	C
Tegniese & Industriele Beleggings Bpk	C
Tongaat Corogroup Ltd	D
Waverley Gold Mine Ltd	D
Wesco Investments Ltd	B
Zambia Copper Investments Ltd	D

Insurance enjoys sparkling '83

ALEC HOGG reviews the industry that defied the general economic trend

SOUTH AFRICA'S insurance industry enjoyed a sparkling 1983.

Life offices kept up their stunning growth record of recent years, accounting for more than 100% of personal saving by individuals in the 12 months

The once-troubled short-term insurers proved that the revival in their fortunes which began in the second half of 1982 was no flash in the pan

Investors in insurance shares listed on the JSE enjoyed super capital returns in a year when the rest of the market with the notable exclusion of the banking sector, was weak

To top the most successful year for some time, a third life office was listed with much aplomb in September

The Prudential's JSE listing was the most successful since the mammoth Sasol issue in 1979, with the shares on offer oversubscribed nearly 50 times

The recession was almost non-existent for this sector of the economy

Although the growth in investment income was markedly lower than in previous years, due largely to lower dividends from industrial companies, a growing oversupply of office space and an uncertain gilt market, total assets of all life offices surged

The country's largest office, the Old Mutual, enjoyed asset growth of more than 30%, while its close competitor Sanlam controlled 24% more assets than 12 months previously at its financial year-end in September

Not to be outdone, the country's largest short-term assurer Santam, turned the previous year's underwriting loss of R2,6-million to a profit of R8,2-million in the 12 months to end September

The life offices were also the big movers behind the stories which made the headlines on the financial pages in the year

A consortium which included Liberty Life made national headlines when it purchased the Associated British Foods stake in the Premier Group, a deal which eventually led to Premier controlling 35% of the country's most valuable industrial group (as rated by market capitalisation), SA Breweries

The deal was seen as a slap in the face for Old Mutual which until then was the largest single shareholder in the brewing/retailing giant

Then came the acquisition by Old Mutual of a 75% stake in Rennies, buying out yet another formerly overseas-controled company, this time from Jardine Mathison of Hong Kong

There were also threats of another takeover struggle when trading in the shares of industrial conglomerate Protea Holdings reached record levels on the JSE

Rumour had it that the country's two largest life offices, Old Mutual and Sanlam, were both bidding for control of the group

But it ended in stalemate when both had reputedly picked up around 30% of the equity, thus each effectively blocking the other's chances of control

To cap it all, Liberty's Donny Gordon achieved the deal of his life by securing continuity for his life office through getting Stanbic to buy joint control of the assurer

Together with the closer ties for with the largest building society, U ed, Mr Gordon's financial "team" is one of the most powerful in the mar

A short while ago saw another line maker when Sanlam's chief tive Fred du Plessis said that he hold 60 meetings countrywide year

This is seen as an effort to demo tise the mutually run life office, and end barbs that mutual assurers are countable to nobody

The life offices were also the reason for the buoyant JSE in the fi eight months of the year

Institutions invested at a rate nev before experienced, and it was ed that the full year's cash flow was invested in the market during first six months of 1983

Other more insular during the year were the failure of attempt to register ance brokers, the controversial new limit 75% placed on disability surance, and the gence of direct mailing life insurance as a alternative to more tional selling

Another problem may cause further lems in the early months next year is the threat some life offices, pa larly the smaller ones, they are contempl breaking away from cartel, the Life Offices' A sociation

The latest reason for dissatisfaction is that investigation into each office pays its force is available only the nine members of LOA management tee — all of whom are ecutives of the large fices

On balance, results life assurers during year were sparkling

Southern Life, for stance, achieved a 44% set growth, while the shar prices of the three offices rose handsomely

The Prudential doubled from the price of 250c to 450c, ty Life rose from R35 at beginning of the year R51, and Ned Equity was from 245c to 290c

The product side also active First to hit market was the highly cessful "Little Mill policy from Federated.

This was followed by novative new produ from Sanlam, Prudentia Legal & General and finally the long new series from Liberty

But from an investr point of view, it was short term assurers came out tops

Sharp increases in mums, particularly for loss leading motor accounts, saw the shor term assurers swing underwriting results massive losses into heal profits

The results were favourably interpreted by stock market.

Since the beginning of year, the share prices Guardian, Hosken, IGI, Santam more than doubled while Mutual & Federa was up 77%, Commerc Union rose 65%, and SA Ea gle's price increased 58%

Dividends were al sharply higher

But the run of the short term assurers may now over

In many cases pre rose by more than 50% the last year, and with kind of excess profits being made by the indust it seems certain that one or more company will brea from the informal ca which has enabled the of profitablity achieved the past year

Although there was an increase in the number of life policies which were lapsed, life offices' cash flow continued to rise by more than 20%

The new year promises at least a repeat performance

TOP COMPANIES 1983 BY SECTOR

Position
Name of Company
Growth

MINING HOUSES

85 General Mining Union Corporation Limited 23,8
93 Gold Fields of South Africa Ltd 21,8
100 Anglovaal Limited 20,0

MINING HOLDING

15 New Central Witwatersrand Area Ltd 40,9
35 Witwatersrand Deep Limited 32,8
38 Anglo American Gold Investment Co Ltd 31,5
47 UC Investments Ltd 29,3
55 Sentrust Beperk 27,7
78 New Wits Limited 25,0
96 Free State Development & Investment Corp. Ltd 20,8

BANKS & FINANCIAL SERVICE

11 Trade and Industry Acceptance Corporation Ltd 41,8
23 Sage Holdings Ltd 38,6

INVESTMENT TRUSTS

8 Union and London Investment Acceptance Trust Ltd 47,0
49 First Union General Investment Trust Ltd 28,9
57 Common Fund Investment Society Ltd 27,4
75 Industrial Selections Limited 25,2
82 National Selections Limited 24,0

PROPERTY

5 Rand Mines Properties Limited 56,0
25 Gold Fields Property Co Ltd 37,3
61 Congella Federation Ltd 27,3

PROPERTY TRUST

61 Volkskas Property Trust 27,3

INDUSTRIAL HOLDING

9 Plate Glass & Shatterprufe Industries Ltd 46,4
19 Rennies Consolidated Holdings Ltd 39,9
34 Mercatrust Limited 33,4
36 The Unisec Group Limited 31,8
40 Murray and Roberts Holdings Limited 31,1
52 BTR South Africa Limited 28,2
52 Industrial Investment Company Limited 28,2
67 Blue Circle Limited 26,1
75 W & A Investment Corporation Limited 25,2
83 Federale Volksbeleggings Beperk 23,9
94 Micor Holdings Limited 21,5
98 Barlow Rand Limited 20,6

99 South Atlantic Corporation Limited 20,3

BEVERAGES & HOTELS

6 Suncrush Limited 49,2
31 The South African Breweries Limited 34,4

BUILDING & CONSTRUCTION

24 Gypsum Industries Limited 38,2
27 Anglo Alpha Limited 35,5
56 Pretoria Portland Cement Company Ltd 27,5
57 Everite Limited 27,4
68 Boumat Limited 26,0
68 Grinaker Holdings Ltd 26,0

CHEMICALS & OILS

28 Chemical Services Limited 35,3
70 Plascon-Evans Paints Ltd 25,9
92 AECI Limited 22,0

CLOTHING, FOOTWEAR & TEXTILES

4 Delswa Limited 57,3
7 Adonis Knitwear Holdings Ltd 48,3
12 Mooi River Textiles Limited 41,6
17 Burlington Industries Limited 40,4
29 S A Bias Holdings Ltd 35,2
49 Romatex Limited 28,9
51 Niman and Lester Holdings Ltd 28,7
63 Rex Trueform Clothing Company Ltd 26,9
91 Searles Holdings Ltd 22,3

ELECTRONICS, ELECTRICAL, & BATTERY

21 Allied Technologies Limited 39,2
45 Aberdare Cables Africa Limited 29,9

ENGINEERING

29 Dorbyl Limited 35,2
42 Northern Engineering Investments Africa Ltd 30,9
43 Stewarts & Lloyds of SA Limited 30,1
48 Chubb Holdings Limited 29,1
64 Fintec Limited 26,8
72 Berzack Brothers (Holdings) Limited 25,7
79 Globe Engineering Works Limited 24,5
87 Duro Industries Limited 23,2

FOOD

26 Cadbury Schweppes (South Africa) Limited 36,0
74 The Premier Group Limited 25,5

FURNITURE & HOUSEHOLD

3 B & S Steel Furniture Company Limited 62,1
10 Associated Furniture Companies Limited 44,4
21 Television & Electrical Holdings Ltd 39,2
40 Amalgamated Retail Limited 31,1
65 Ellerine Holdings Limited 26,6
72 World Furnishers Group Limited 25,7
88 President Catering Supplies Ltd 23,1

MOTOR

1 Toyota (South Africa) Limited 68,5
2 Welfit Oddy Holdings Ltd 64,9
16 Saficon Investments Limited 40,7
46 Dunlop South Africa Limited 29,4
86 McCarthy Group Limited 23,4

PAPER AND PACKAGING

13 Sappi Ltd 41,5
38 Metal Closures Group South Africa Limited 31,5
44 Consol Limited 30,0
54 Metal Box South Africa Limited 28,0
57 Haddons Limited 27,4

PHARM. & MEDICAL

96 Adcock-Ingram Ltd 20,8

PRINTING & PUBLISHING

14 SA Associated Newspapers Ltd 41,3
18 Mathieson & Ashley Limited 40,0
33 Eastern Province Newspapers Ltd 33,6
81 Argus Printing & Publishing Co Ltd 24,1

STEEL & ALLIED

90 Highveld Steel and Vanadium Corporation Ltd 22,4

STORES

20 CNA Investments Limited 39,8
32 Waltons Stationery Company Limited 33,9
57 Pick 'n Pay Stores Limited 27,4
75 Garlicks Limited 25,2
79 OK Bazaars (1929) Ltd 24,5
89 Foschini Limited 22,8
95 Woolworths Truworths Limited 21,2

SUGAR

83 The Tongaat-Hulett Group Limited 23,9

TOBACCO & MATCH

66 The Lion Match Company Limited 26,3
71 Rembrandt Group Limited 25,8

TRANSPORTATION

37 Trencor Limited 31,6

The city where 80% of SA gold is handled

IT IS generally acknowledged by the three main banks involved with the gold trade in Zurich — namely the Union Bank of Switzerland (UBS), the country's largest bank, the Swiss Bank Corporation (SBC), and Credit Suisse — that 1983 is proving to be a difficult and disappointing year

There is a traditional reluctance to discuss figures connected with gold (as with other items), but of these three only SBC sees this year, in terms of profits made from gold trading, as likely to be better than 1982

Purchases have not been helped by the high exchange rate of the dollar, and a worldwide decline in the rate of inflation Demand has fallen off from Saudi Arabia and countries of the Gulf because of the need to help finance Iraq in its war with Iran Furthermore, indebted nations such as Brazil, are said to have been selling extensively on the Zurich market.

For a start, the individual, rather than the professional gold purchaser has, to some extent, withdrawn from the market. Measured against inflation and allowing for the emotional value of gold as a fallback, the individual, given lower inflation, no longer apparently sees it as the refuge it once was

For the brokers there has been the somewhat dispiriting fact that, although the price has slipped over the year, the volatility in reaction to world events (which brings with it the promise of profits) is not there For example, when more than 240 US marines were killed in Beirut, the movement was only about $5 Anything between $20 to $40 would have been normal in the past two years or so

As the SBC relates, Zurich like London is primarily a "physical" market. In other words, the gold contracts are written for actual delivery The introduction at the beginning of 1980 of a

5,6% sales tax on physical gold sales modified this to some extent, not least because lost business to foreign branches of Swiss banks or to foreign banks as a whole notably in London and New York.

To get around this the move has been towards not obtaining gold physically but rather establishing a metal account in a bank, thereby avoiding the physical movement of gold in and out of the country.

The gain to the Swiss government is questionable According to Mr Paul Zubler, senior vice president of UBS in an address to the Financial Times World Gold Conference in Lugano last June "The reported physical precious metal holdings of banks and finance companies domiciled in Switzerland . totalled over 23-billion Swiss francs at the end of 1981"

Gold is estimated to account for roughly 80 to 85% in nominal terms This equals approximately 800 to 850 tons of gold in 1982

Some of the stability of the Zurich market must come from the policies of the main suppliers Since the beginning of the 1970's, South Africa, whose estimated expected production for 1983 according to Consolidated Gold Fields is 665 ton, has been sending something like 80% of its supplies through Zurich

It has been selling almost all its newly-mined gold and once allowances have been made for Krugerrands, last year about 280 tons of South African gold passed through the Zurich market It was estimated that the Soviet Union, which has withdrawn because of the fall in price, sent something like 75 tons

To get round the problem of the sales tax, and to counter the arrival two years ago of Mocatta, a member of the London gold-fixing pool, the three main banks set up Premex in October last year as a gold broking company By all accounts this has been performing above expectations — though bankers are reluctant to give details

Operations are not for the moment what they were "In the 1960's and 1970's one banker put it, "I would have been a fool not to have made a profit. Today I regard myself as a hero if I do"

Financial Times

After-tax returns on shareholders' funds

For interest's sake . . .

AS WE POINTED out in last year's Top Companies survey, the measure we use for our Top 100 list — growth in earnings per share — is not the only measure of performance

The table below ranks companies according to the after-tax return on shareholders' funds, and we include it here for interest.

While the table is interesting it does have a drawback as a measure of company performance.

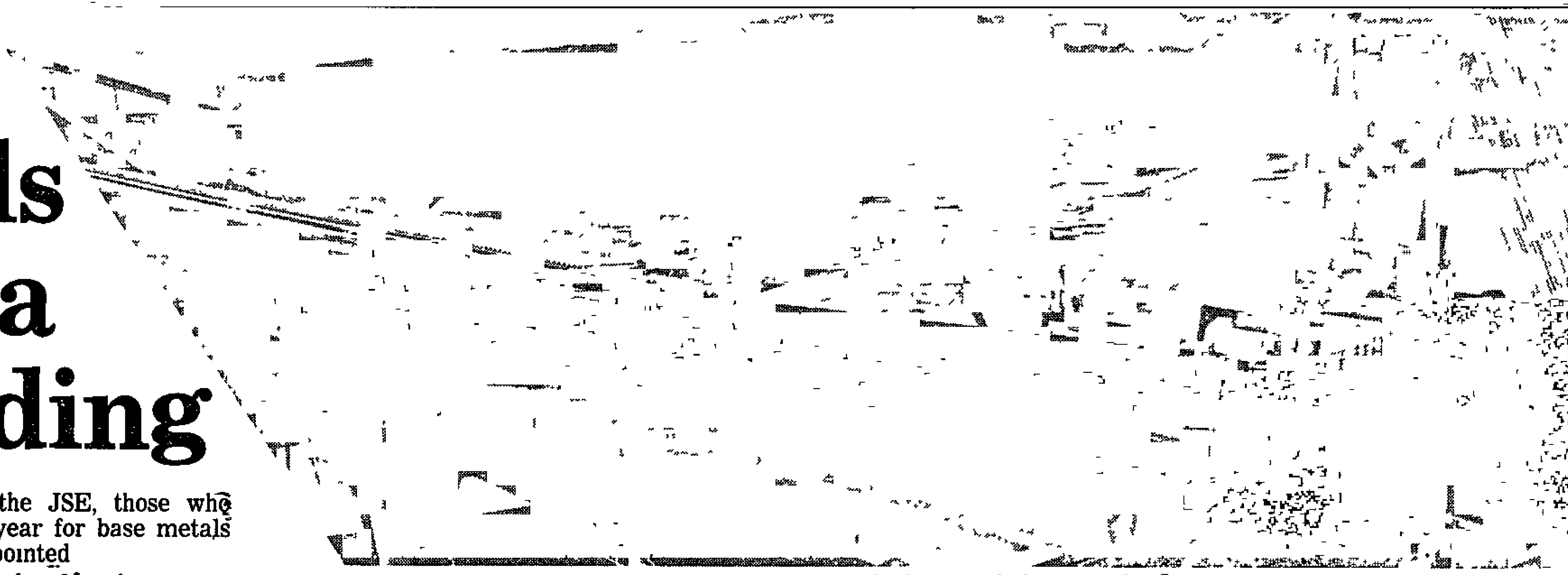
For instance, Otis, top of the rankings, has a remarkable return on shareholders' funds of 161,9%.

This is a result .not of outstanding growth or performance, but of progressive reductions in shareholders' funds as payment of dividends has been in excess of earnings

Sunday Times (Business Times) — Survey of taxed returns on group shareholders funds — Top 100 Companies

Rank	Name	Funds	Bal-Sheet Date
1	Otis Elevator Company Limited	161,9%	82/11/30
2	Caxton Limited	87,8%	83/02/28
3	New Central Witwatersrand Areas Limited	67,2%	82/09/30
4	Anglo American Gold Investment Co Ltd	67,0%	83/02/28
5	U C Investments Limited	49,7%	82/12/31
6	Walton's Stationery Company Limited	48,8%	83/02/28
7	Mooi River Textiles Limited	40,0%	82/12/31
8	Anglo American Coal Corporation Limited	36,9%	83/03/31
9	National Selections Limited	36,6%	83/06/30
10	Gold Fields of South Africa Limited	35,7%	83/06/30
11	New Wits Limited	35,0%	83/06/30
12	Allied Technologies Limited	35,0%	83/02/28
13	Pick 'n Pay Stores Limited	34,7%	83/02/28
14	Clicks Stores Limited	32,9%	83/06/30
15	Elcentre Corporation Limited	32,5%	83/02/28
16	Witwatersrand Deep Limited	32,3%	83/06/30
17	Trade & Industry Acceptance Corporation Ltd	32,2%	83/06/30
18	Dan Perkins Holdings Limited	31,8%	83/06/30
19	Selected Mining Holdings Limited	30,7%	83/06/30
20	Metcash Limited	30,2%	83/04/30
21	Concor Limited	29,7%	83/06/30
22	Textile Mills (1947) Holdings Limited (Zim)	29,6%	82/12/31
23	Consol Limited	29,1%	83/06/30
24	Mercatrust Limited	29,0%	83/03/31
25	Trumcor Limited	28,9%	83/02/28
26	Bester Beleggings Beperk	28,7%	83/02/28
27	Gypsum Industries Limited	28,7%	83/06/30
28	Foschini Limited	28,1%	82/12/31
29	Common Fund Investment Society Limited	28,0%	83/03/31
30	Industrial Selections Limited	27,8%	83/06/30
31	Rennies Consolidated Holdings Limited	27,2%	82/12/31
32	Suncrush Limited	26,4%	83/06/30
33	Nampak Limited	25,7%	82/09/30
34	Anglo American Investment Trust Limited	25,6%	83/03/31
35	Scottish Cables Limited	25,4%	82/12/31
36	Vogelstruisbult Metal Holdings Limited	25,2%	82/12/31
37	Johannesburg Consolidated Investment Co Ltd	25,2%	83/06/30
38	Associated Furniture Companies Limited	25,1%	83/03/31
39	President Catering Supplies Limited	24,9%	83/06/30
40	Plascon-Evans Paints Limited	24,8%	82/09/30
41	Adonis Knitwear Holdings Limited	24,5%	83/06/30
41	Amalgamated Retail Limited	24,4%	83/03/31
43	Power Technologies Limited	24,3%	83/02/28
44	Dunlop South Africa Limited	24,0%	82/12/31
45	Northern Engineering Investments Africa Ltd	23,9%	82/12/31
46	Xactics Limited	23,9%	83/02/28
47	Tvl Consolidated Land & Exploration Co Ltd	23,8%	82/09/30
48	Delswa Limited	23,7%	83/04/30
49	Middle Witwatersrand (Western Areas) Limited	23,6%	83/06/30
50	Hortors Trio Rand Limited	23,6%	83/02/28
51	New Kleinfontein Properties Limited	23,5%	83/06/30
52	Murray and Roberts Holdings Limited	23,4%	83/06/30
53	S M Goldstein Limited	23,4%	83/06/30
54	Sasol Limited	23,3%	83/06/25
55	Metal Box South Africa Limited	23,2%	83/03/31
56	Free State Development Investment Corp Ltd	22,9%	83/06/30
57	Ellerine Holdings Limited	22,7%	83/06/30
58	Woolworths Truworths Limited	22,7%	83/06/30
59	Metal Closures Group South Africa Limited	22,6%	82/12/31
60	Chemical Services Limited	22,5%	82/12/31
61	Union and London Investment Trust Limited	22,5%	82/12/31
62	Television and Electrical Holdings Limited	22,5%	83/06/30
63	Claude Neon Lights South Africa Limited	22,4%	83/06/30
64	B T R South Africa Limited	22,3%	82/12/31
65	Burlington Industries Limited	22,1%	82/12/31
66	Mathieson and Ashley Limited	22,0%	83/06/30
67	Montays Limited	21,9%	83/06/30
68	Landlock Limited	21,8%	83/06/30
69	Highveld Steel and Vanadium Corporation Ltd	21,7%	82/12/31
70	Kohler Limited	21,5%	82/12/31
71	Aberdare Cables Africa Limited	21,3%	82/12/31
72	South West Africa Fishing Ind Ltd (SWA)	21,1%	82/12/31
73	Sentrust Beperk	21,0%	83/06/30
74	The South African Breweries Limited	20,8%	83/03/31
75	Southern Sun Holdings Limited	20,8%	83/03/31
76	Hortors Limited	20,8%	83/02/28
77	Metair Investments Limited	20,7%	82/12/31
78	Sage Holdings Limited	20,7%	82/12/31
79	World Furnishers Group Limited	20,7%	83/06/30
80	Grand Bazaars Limited	20,6%	83/02/28
81	Carlton Paper Corporation Limited	20,5%	82/12/31
82	Cadbury Schweppes South Africa Limited	20,4%	82/12/31
83	Adcock-Ingram Limited	20,2%	82/09/30
84	A E C I Limited	20,2%	82/12/31
85	Currie Finance Corporation Limited	20,2%	83/06/30
86	The Lion Match Company Limited	20,1%	82/11/30
87	Haddons Limited	19,9%	82/12/31
88	Trek Beleggings Beperk	19,9%	82/12/31
89	Rand Mines Properties Limited	19,9%	82/09/30
90	Anglo American Corporation of S A Limited	19,8%	83/03/31
91	Pretoria Portland Cement Company Limited	19,8%	82/09/30
92	The Premier Group Limited	19,7%	83/03/31
93	Saficon Investments Limited	19,7%	83/03/31
94	Farm-AG Limited	19,6%	83/02/28
95	Pepkor Limited	19,5%	83/02/28
96	Tomkor Limited	19,5%	83/02/28
97	General Mining Union Corporation Limited	19,4%	82/12/31
98	T W Beckett and Company Limited	19,3%	83/06/30
99	Anglovaal Limited	19,0%	83/06/30
100	Federale Mynbou Beperk	19,0%	82/12/31

Base metals take a pounding



Richards Bay coal handling terminal ... coal shares took a hammering this year

OF ALL investors on the JSE, those who jumped over the past year for base metals must be the most disappointed

Coal, managanese, tin, and copper shares were the rage among the investment community late last year.

Thinking was that when the US economy recovered, and pulled with it the rest of the world, low stockpiles of base metals would have to be supplemented

By ALEC HOGG

The effect on companies producing these necessary raw materials was expected to be virtually immediate with resultant spin-offs profitability and consequently share prices

Unfortunately for those investors who followed what appeared to be good advice, this was not to be

Since the beginning of the year, the JSE Actuaries tin index plunged by nearly 41%, manganese 36,1%, coal was down 17,4% and copper fell 15,9%

By contrast, less popular sectors such as the highly cyclical furniture and motors showed index rises of 65,6% and 61,8% respectively

Decline

Collectively, the lower rated copper shares recorded the largest declines as the metal's price fell rather than posting the previously expected gains

By the end of November, the share prices of MTD Mangula and ZCI were less than half the level they began the year at, while Bo-phuthatswana RST was down 47% over the 11 months

The index as a whole was buoyed by the relative resilience of Palamin

Associated Manganese was another expensive acquisition for investors who bought in at the beginning of the year

Disaster

By end November the price had dropped from January's R105 to R65

The heavyweight coal producers are today trading at well below their year's opening, and are at levels last seen well over a year ago

Blue chip Amcoal is at a year low of R23 compared with a 24 month high of R39,25 and a price of R35

One of the biggest disasters of the year, however,

BACKED THE WRONG HORSE

was speculative Rand London Coal which is now trading at less than 30c compared with January's 60c

Gold shares were also among the loss leaders of the year, and again this was caused by an unrealistic confidence in future price movements

The relatively good prospects which prevailed for gold at the beginning of the year pushed the volume of trading in January to a record

Cracked

Almost without exception, gold share prices started the year at their highest level in more than 12 months

During the year they rose to levels which exceeded those achieved during the gold boom of 1980, even though the metal's price was then 30% below the record $850, and the gold share index reached an all time high

But recent falls in the price cracked the market's supreme confidence and gold share prices tumbled to on average 21% lower than they began the year at

Significantly, the only sectors to record declines since January were mining related

Industrial shares confounded predictions and without exception the indicies reflecting the performance of each sector ended the year higher

Interlocking directorships under fire

IN A SPEECH to the Institute of Directors earlier this year, Mr Len Abrahamse, chairman of Syfrets Trust, called for tighter control on directors

He argued that the web of interlocking directorships in South Africa led to a great deal of conflict of interest

He identified the following areas

- Direct or indirect competition with the company concerned
- Interests as major suppliers of the company
- Initiation of changes of control
- Protection of minority shareholders
- Dealing in company stock
- Representing a specific shareholder group

Mr Abrahamse added that the trend towards appointing executive chairmen was not healthy

A chairman's primary role is to appraise the performance of the management of the company

If the chairman is part of the management team, it is not possible for him to sit back and take an objective view of management's performance

ACTIVE YEAR FOR MERCHANT BANK BOFFINS

Date	Company	Transaction	Bank
17/11	Eureka Rubber	Change of control	Senbank
19/11	Pioneer Property Fund	Rights Issue	UAL
20/11	Retco/Panafic	Change of control	Barname
01/12	National Chemical Syndicate	Acquisition of Sabie River Bag Co	SMB
10/12	Frasers Limited	Share option in Fraser consolidated	UAL
17/12	Sappi	Rights offer	UAL
22/12	Katz and Lourie	Change of control	Senbank
24/12	Alderson and Flitton	Martin Jonker to acquire 71 percent	VMB
29/12	Hepworths	Acquisition of majority shareholding in Harrowe s	Hillsam
29/12	Aberdare Cables	Acquisition of Contronics	Senbank
1983			
03/01	Solarsh Holdings	Rights issue	Mercabank
17/01	Landlock	Acquisition of three operating divisions from Abercom	Hillsam
25/01	Natprop	Acquisition of Richard Currie properties rights Issue	Barname
31/01	Barlow Rand/ TC land	Consolidation of mining Interests	Barname/ SMB
31/01	Solarsh Holdings	Change of control	Mercabank
03/02	Kohler/DRG	Acquisition of DRG By Kohler	Barname
04/02	LTA/Genrec	LTA acquired 85% of Alpret, a Genrec subsidiary	SMB
07/02	Pepkor	Pyramid company	Senbank
10/02	Rand London	Rights issue	Senbank
14/02	Asseng	Restructuring	SMB/ Senbank
14/02	L H Marthinusen and Delta SA	Proposed merger	Hillsam
21/02	East Rand Consolidated P L C	Rights issue	Barname
04/03	Trumcor	Transmuted listing	Mercabank
11/03	Union and London	Rights issue	UAL
14/03	Hortors Trio/ Longman Penguin	Merger of educational printing interests	SMB UAL
31/03	Cadbury Schweppes	Rights offer of convertible debentures	UAL
31/03	Global Properties	Rivendell nominees to acquire 87,4 percent	Senbank
11/04	National Properties	Rights issue	Barname
15/04	National Properties	Transmuted listing	Barname
19/04	Union and London	Share split	UAL
20/04	Nampak/Premier Paper	Premier paper minority take-out by Nampak	Finansbank
21/04	Unidev/SB Property Fund	Formation of Standard Bank Property Fund	SMB
28/04	Premier/Gallo/ Argus/CNA	Scheme of arrangement to effect merger	Barname/ SMB
05/05	Afrox/UCS/AMMED	Afrox to acquire controlling interest In AMMED	Hillsam
05/05	Tiger Oats/Units	Minority take-out by Tiger	UAL
20/05	Prudential	Share issue of 10 000 000 Ordinary shares	SMB
30/05	Katz and Lourie	Transmuted listing	Senbank
02/06	Northern Engineering Investments	Acquisition of Ape Africa (Pty) Ltd	UAL
03/06	Vetrust	Rights issue	VMB
15/06	Prudential	Listing	SMB
17/06	C G Smith/Tiger	Restructuring of ICS and rights issue in Tiger	SMB
24/06	Associated Engineering	Disposal of motor spares division	SMB
27/06	Kirsh Group	Restructuring	[illegible]
27/06	W and A Investments/ New Bernica	Acquisition of 86 percent of African Finance	[illegible]
29/06	Pretoria Portland Cement	Rights offer of convertible debentures	[illegible]
04/07	Gencor/Iscor/ Dunswart	Transfer of Dunswart Iron and Steel and African Metals	[illegible] Senbank
05/07	Metair/Rowen	Toyota to acquire Rowen	RMB
07/07	M & R/GMCE	Acquisition of 60% of GMCE by M & R	VMB
08/07	Tiger Oats/Units	Units to become wholly owned subsidiary of Tiger	UAL
11/07	Waltons/CNA/Kohler	Certain Kohler operations sold to Waltons/CNA	[illegible] UAL
11/07	Global Properties	Transmuted listing	Senbank
12/07	Barlows/Nampak/ Metal Box	Restructuring of interests	[illegible] UAL
14/07	Gencor/Xactics	Change of control	[illegible] Senbank
15/07	Sentrust/UCI	Merger	[illegible] Senbank
15/07	SA Mutual/Rennies	Terms of 75 percent offer	UAL/ [illegible]
19/07	SAAN/EPN/ Nortrustco	Proposed acquisition of EPN by SAAN	UAL
19/07	Associated Engineering	Rights offer	SMB
29/07	Barbican	Disposal of Atlas-Utas	Senbank
02/08	Solaglass/ Pilkington	Merger of SA Glass Interests	[illegible] UAL
05/08	ICS	Rights offer	UAL
05/08	SAB/Southern Sun/ Kerzner	Restructuring	SMB
08/08	Barlows/Reunert	Reunert becomes Barlows	SMB
10/08	Clicks	Pyramid plus cap issue	Senbank
12/08	Barlows	Rights issue	SMB
22/08	Fedvolks/Satbel	Acquisition of Satbel	Senbank
22/08	Fedvolks/SAD	100 percent acquisition of SAD	[illegible]
24/08	ICS	Rights offer	UAL
29/08	Liblife	Restructuring	SMB
01/09	Tongaat/Toncoro	Minority take-out by Tongaat	UAL
01/09	Umdoni	Public offer of 5 000 000 units	[illegible]
08/09	Siebe Gorman/ James North	Additional 50 percent of James North acquired	Hillsam
14/09	Reunert/Telkor	Acquisition of Telkor for R25-million	SMB
19/09	Tomkor	Rights offer of Convertible debentures	Hillsam
19/09	Boyman s	Transmuted listing	SMB
20/09	SATS	Loan stock issue	[illegible] UAL/
30/09	Quincor/Barbican	Restructuring	UAL
03/10	Bertrams/Gilbey	Minority take-out	[illegible]
05/10	Umdoni	Listing	[illegible]
06/10	Sinclair/Poolquip Sun Chemical	Disposal of Poolquip and Sun Chemical for R750 000	SMB
07/10	Durowin	Acquisition of 59 2% by Senbank	[illegible]
17/10	Retco/Propgroup	Pyramid	Bex
19/10	B and S/Gundle	B and S to acquire certain Gundle divisions	[illegible]
19/10	Industrial Investment Co	Disposal of certain subsidiaries for plus/minus R 10m	SMB
21/10	Amrel/ABC	Acquisition of ABC	UAL
25/10	Metal Box/Nampak	Scheme of arrangement	SMB
31/10	Clikdin	Listing	[illegible]
04/11	Sasol/IDC	Restructuring and rights offer	
04/11	Wilson Holmes/ Peter Bayly	Merger	SMB
09/11	Kohler/Xactics	Acquisition of Xactics	[illegible] Senbank
14/11	Reunert	Restructuring	SMB
14/11	Escom	Loan stock issue R1 350m	Senbank SMB

KEY

Barname Barclays National Merchant Bank

SMB Standard Merchant Bank

UAL UAL Merchant Bank

SENBANK Central Merchant Bank

VMB Volkskas Merchant Bank

RMB Rand Merchant Bank

Note Transactions not involving merchant banks such as the Altech restructuring and the return of Premier control to South Africa are not included in table

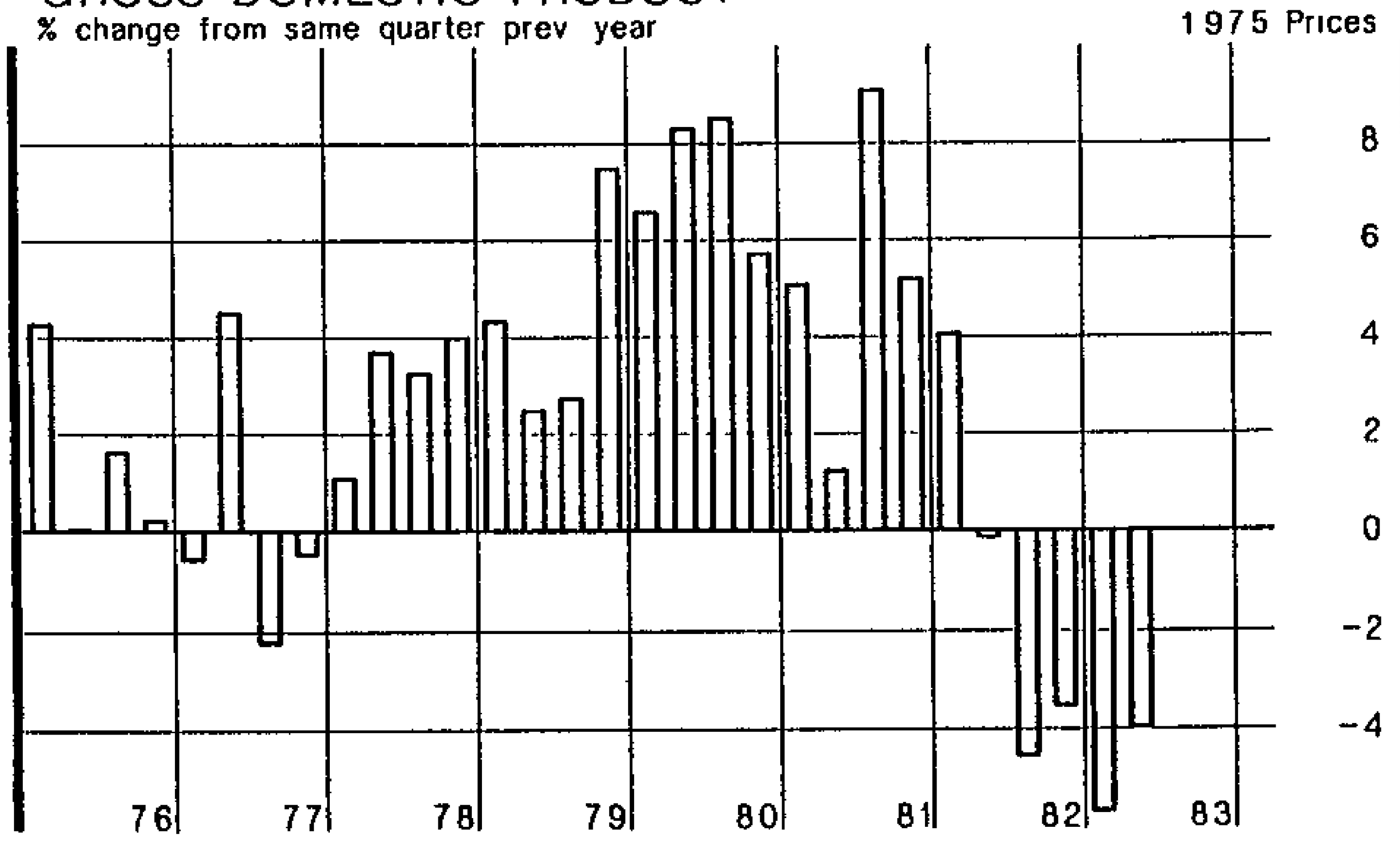
(Source - Barclays National Merchant

THE FIVE-YEAR PICTURE

TO qualify for inclusion in our Top 100 list a company must have grown over a five-year period. It was decided to go for this relatively long period of time to iron out short term fluctuations and just plain luck

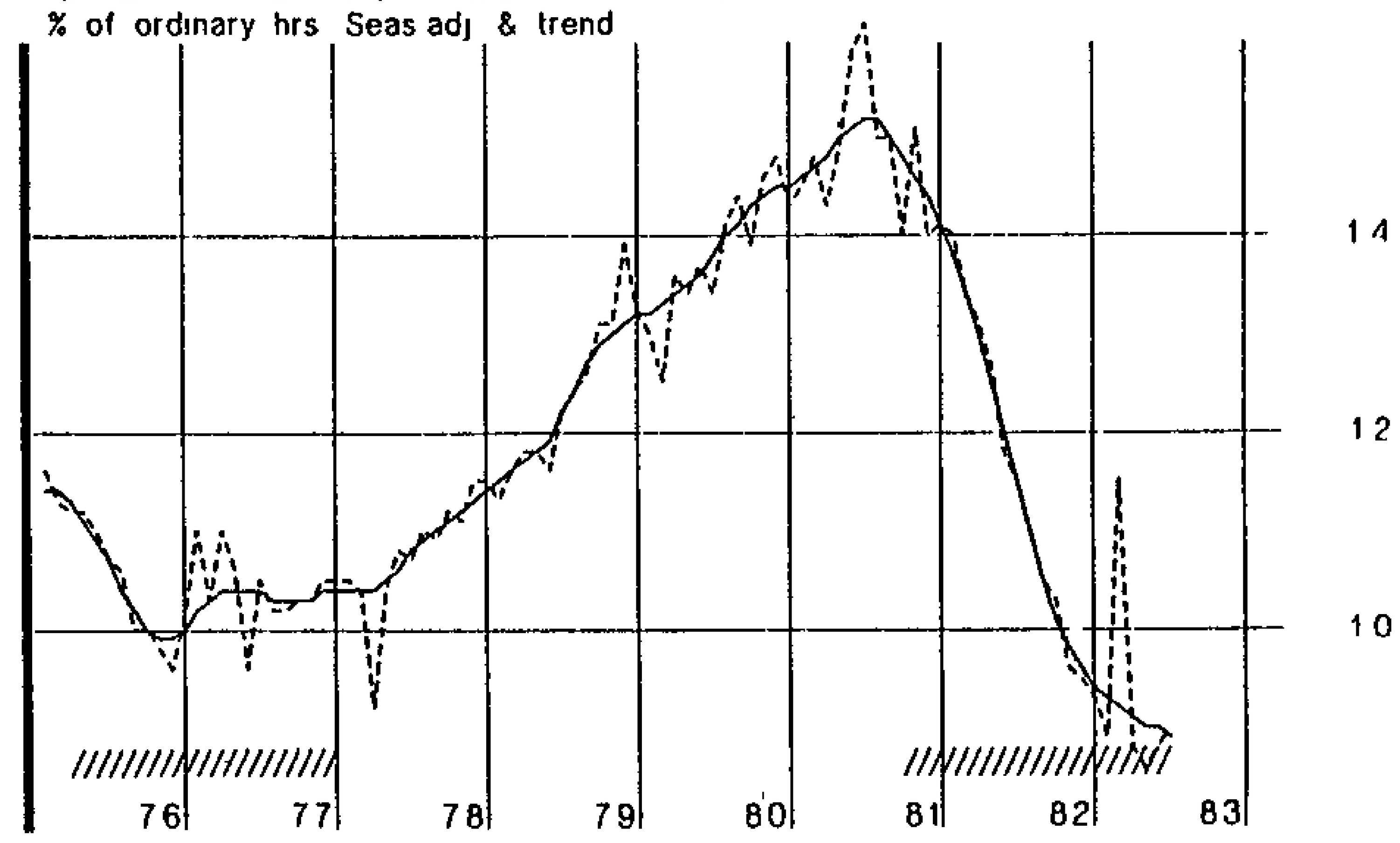
The graphs on this page illustrate the demands made on company management over a five-year period The statistics were compiled by the Economic Research Division of the Standard Bank Investment Corporation.

GROSS DOMESTIC PRODUCT
% change from same quarter prev year 1975 Prices



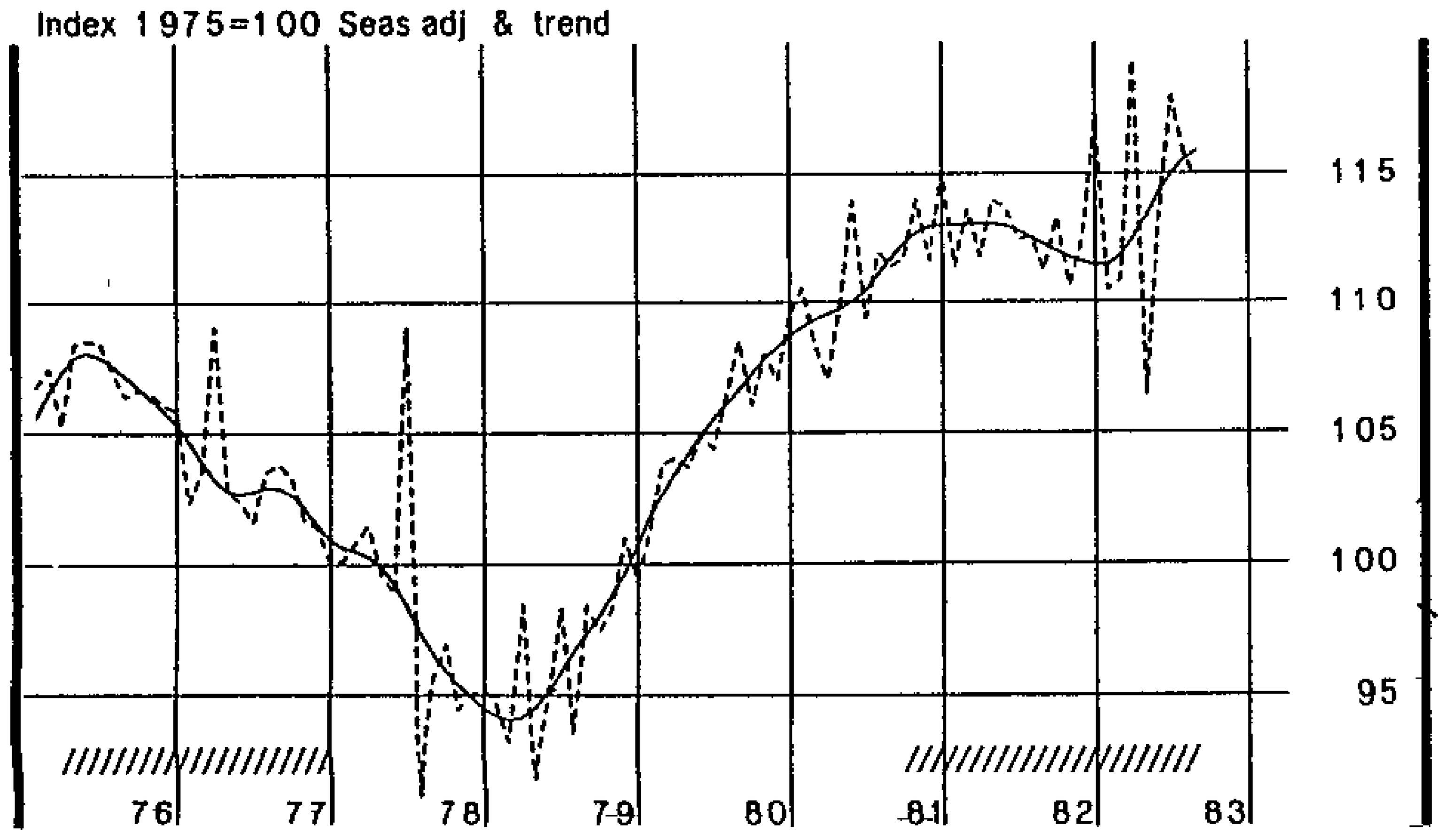
The drop in GDP clearly reflects the depths of the recession over the last 18 months

OVERTIME WORKED IN INDUSTRY
% of ordinary hrs Seas adj & trend



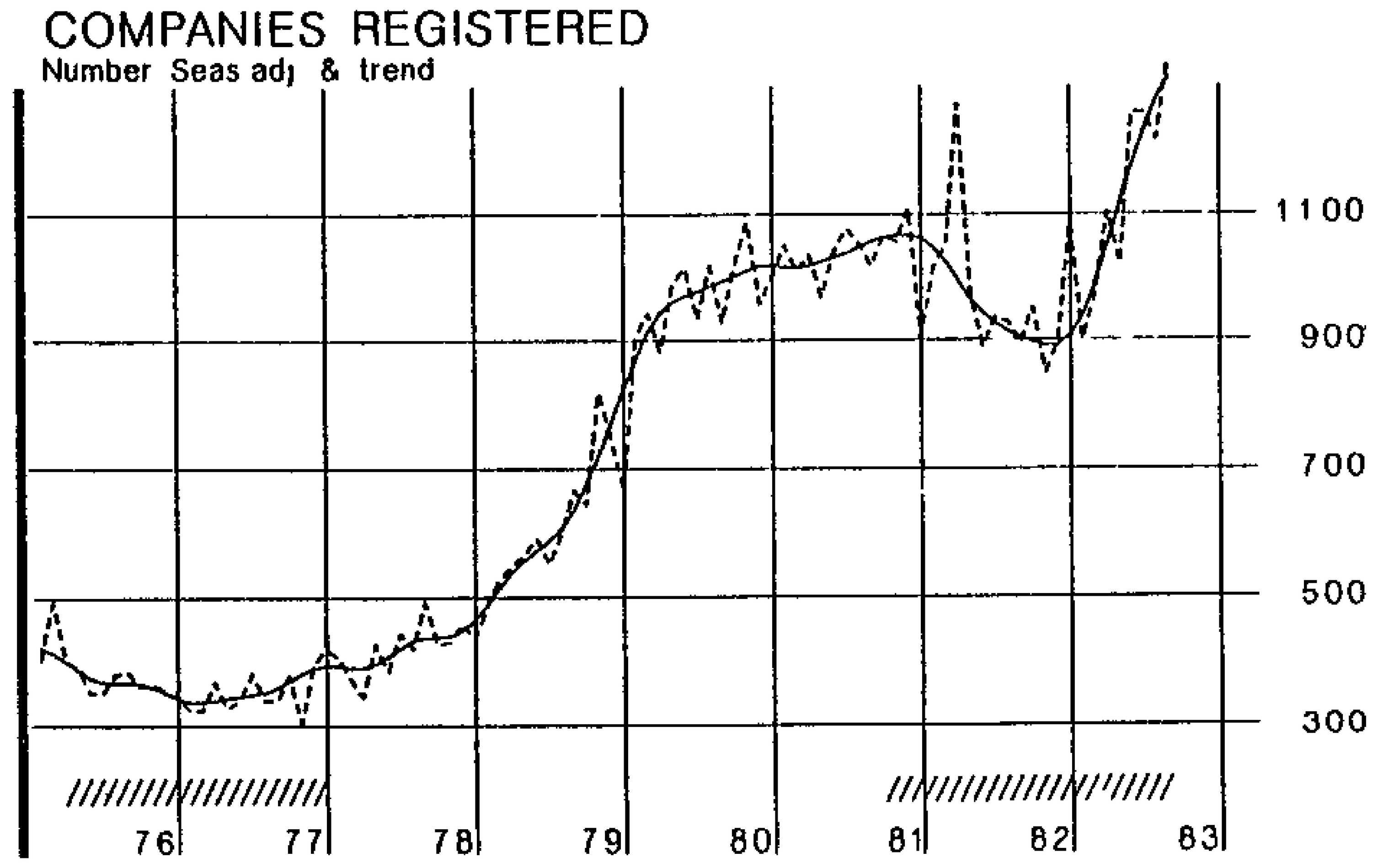
As production volumes have declined so has the amount of overtime worked. This means less in consumers' pay packets and in turn a weakening of demand, and so the vicious cycle continues

RETAIL SALES - VOLUME
Index 1975=100 Seas adj & trend



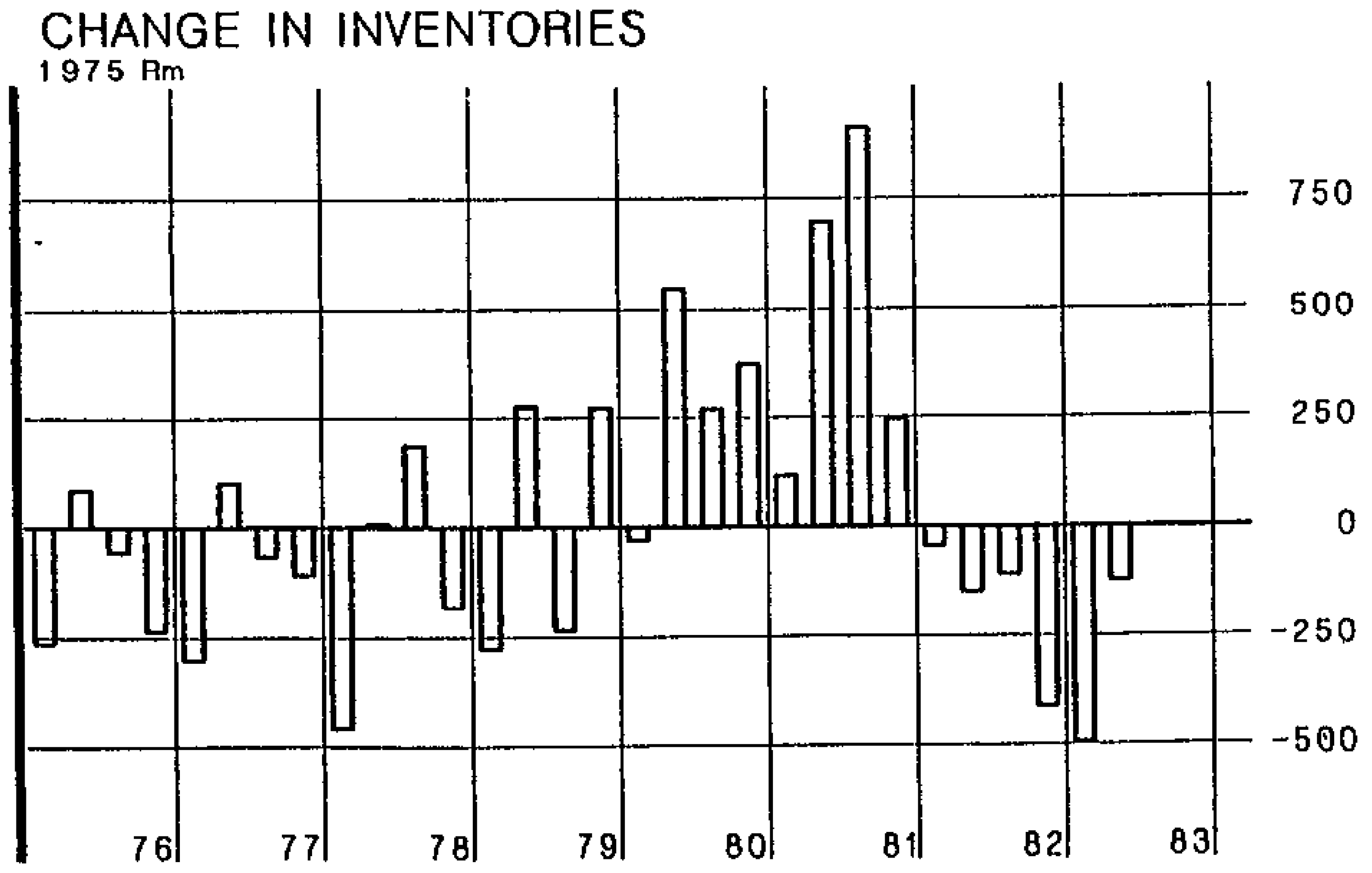
The volume of retail sales has stood up reasonably well although there was a set back to the upward trend at the end of last year. But as the next graph illustrates, retailers have been eating into stocks

COMPANIES REGISTERED
Number Seas adj & trend

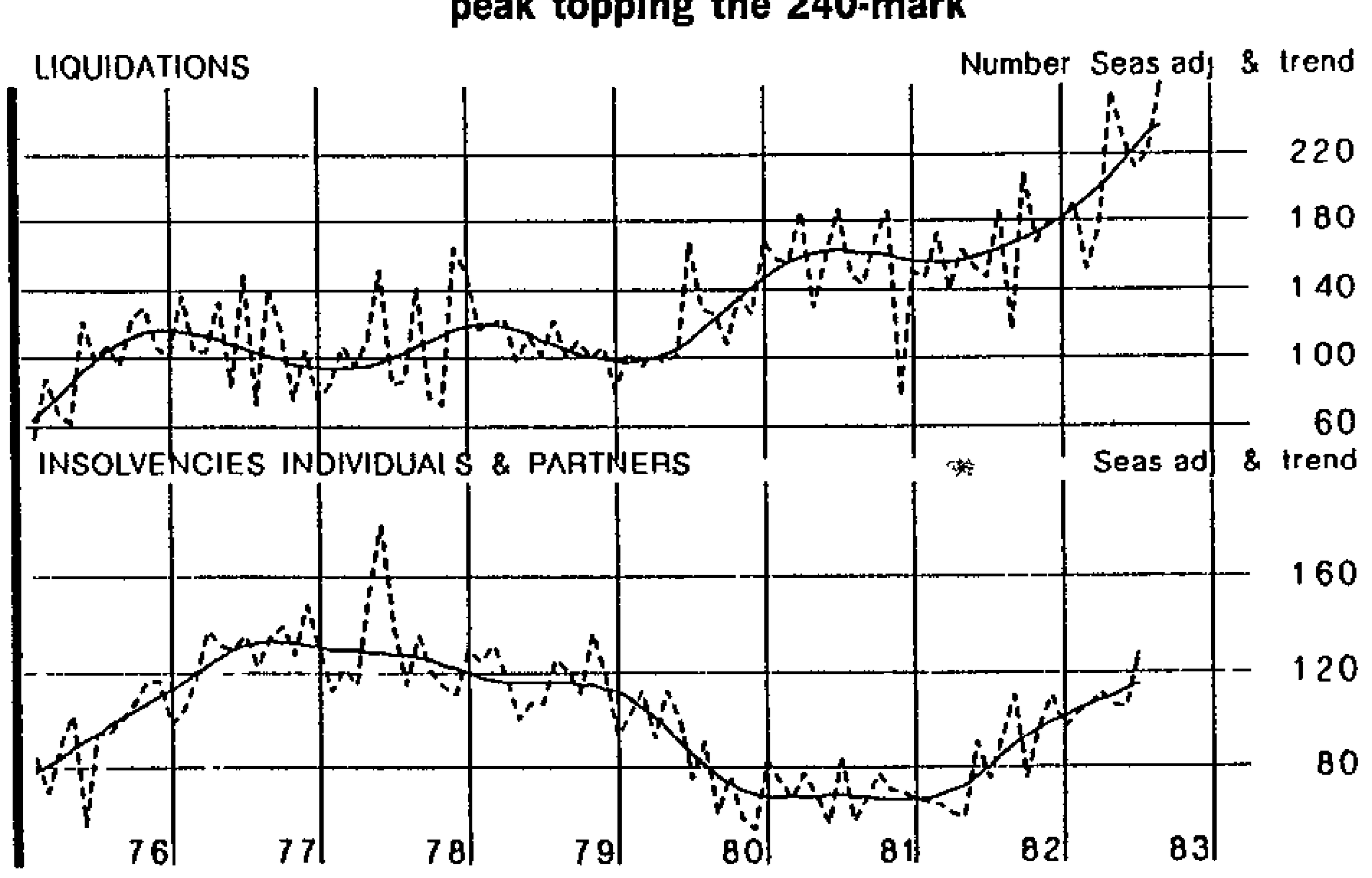


ABOVE and BELOW: It appears that the recession has not dampened the enthusiasm of many would-be entrepreneurs. During the middle of this year, as the graph illustrates, a record number of new companies were registered. However, around the same time, liquidations also hit an all-time peak topping the 240-mark

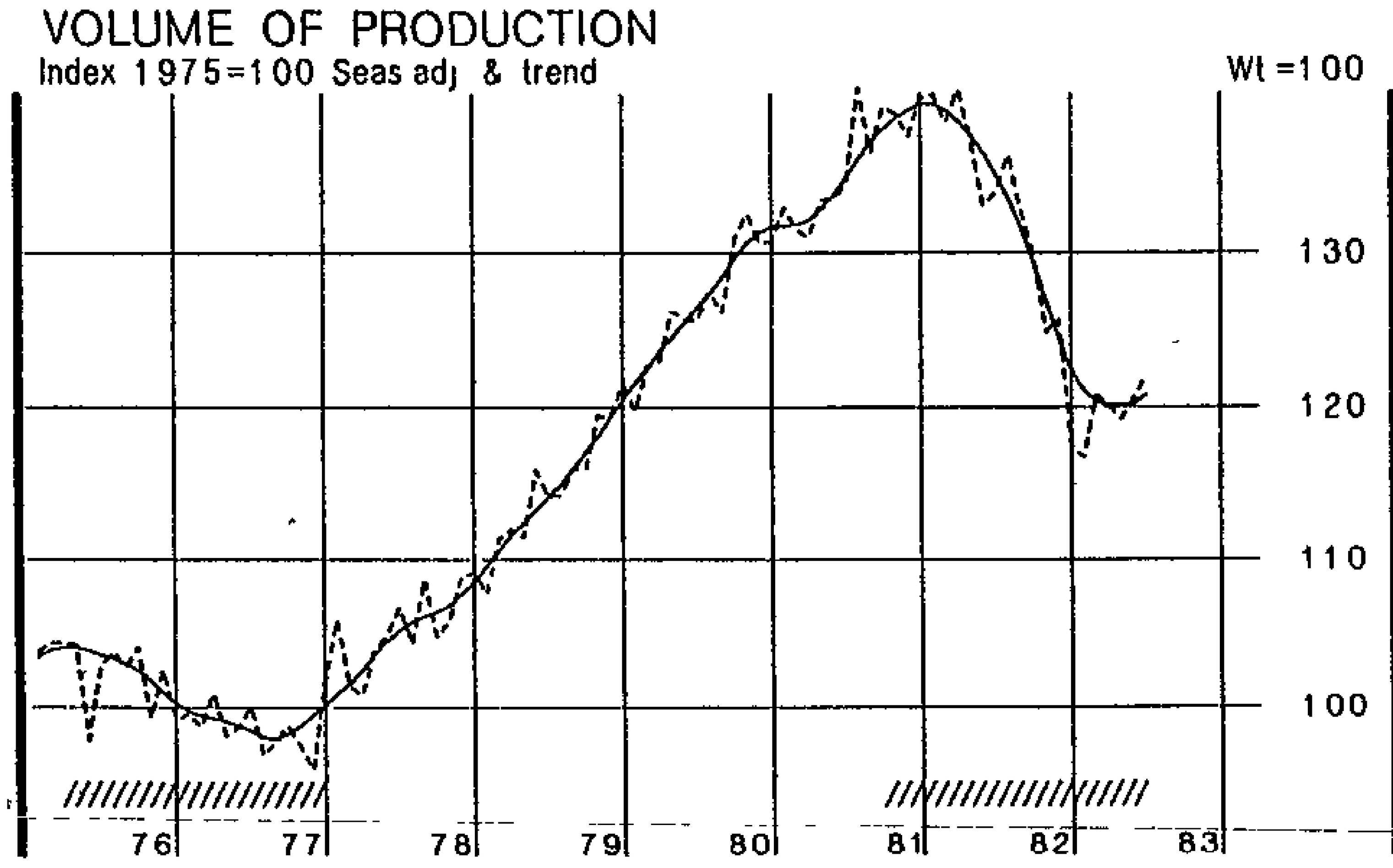
CHANGE IN INVENTORIES
1975 Rm



Inventories have been falling for some time now, adversely affecting the manufacturers' order books. When consumer and industrial expenditure starts to take off and stocks run down even further, the growth potential for the manufacturing sector is good, as firms restock to 1981 levels

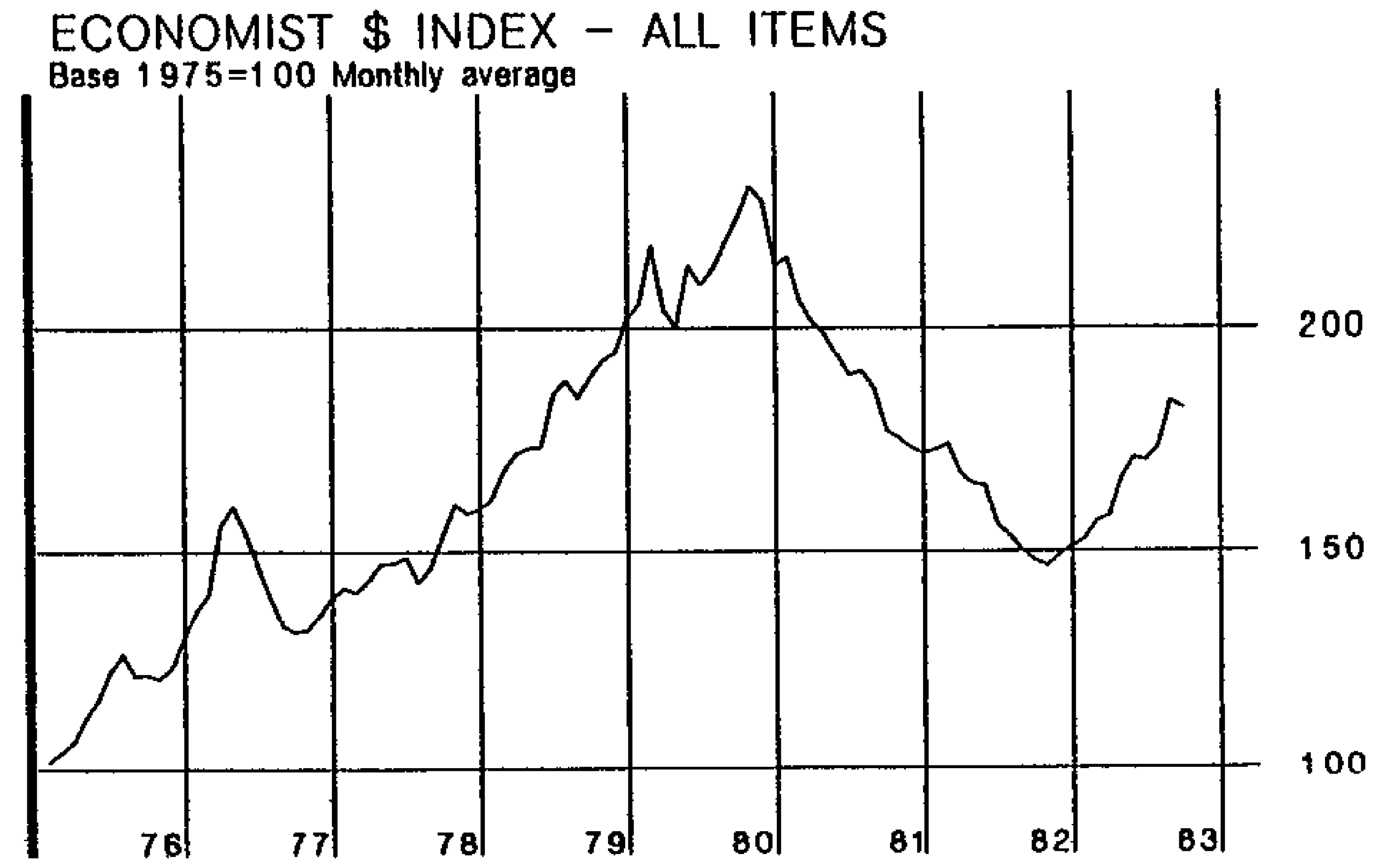


VOLUME OF PRODUCTION
Index 1975=100 Seas adj & trend Wt =100



As this graph illustrates, the manufacturing sector has been hard hit by the decline in sales and destocking

ECONOMIST $ INDEX - ALL ITEMS
Base 1975=100 Monthly average



Meanwhile the problems in the world economy are highlighted by the Economist's all items index of world commodity prices. Countries heavily dependent on primary mining and agricultural products are suffering

PGSI looks overseas

By John Tilston

PLATE GLASS and Shatterprufe Industries Ltd (PGSI) has its roots in the last century.

And from the small beginnings of the Cape Town-based Plate Glass Bevelling and Silvering Company established in 1895, it has grown to an international company with assets in excess of R400-million

It is the world's largest glass merchant and one of the biggest international traders in hardwoods

PGSI is, in fact, little more than a holding company for the two arms of the business, PG Industries (wood) and Slaglas International (glass), headed by brothers Bertie and Ronnie Lubner respectively

Average annual compound growth in earnings per share for the five-year period analysed for inclusion in the Top 100 is 46,4%

Despite this impressive growth, PGSI has slipped in our Top 100 rankings from last year's third position to ninth this year, largely as a result of a 21% drop in earnings in the financial year ending March 31 this year. Earnings per share dipped to 183,3 cents from the previous year's 231,4 cents

PGSI suffered, like most other firms, from the generally depressed state of the economy. The last annual report states "Our expectation that this year would be one of weak demand and high interest and inflation rates in South Africa (still by far our biggest single geographic component) proved correct

PGSI joint chief executive Ronnie Lubner

"The weak demand worldwide was particularly evident in those industrial sectors which constitute our major markets"

With a financial year ending in March, PGSI prospects for further growth in the 1983/84 year are not encouraging Any increase in economic activity is extremely unlikely to be felt before that date Says joint executive chairman, Ronnie Lubner "So far business seems to be at about the same level as year"

In addition, the from markets that P traditionally serve, struction and vehicle ufacture, picks up than the general

Though overseas pects look more ing in the short-term, P reports that from off-shore and branches is "small"

Greater benefits are pected to start from overseas er next year, reports Ronnie Lubner.

Glass interests in Australia and US have through a period of dation and learning, are now well placed to advantage of growth tunities that are likely occur as those two mies pick up

In a significant since the financial end, PGSI, through iary Solaglas purchased a controlling terest in British glass cessor and distribu Clark and Eaton The pany is worth some R2 lion and the value of acquisition lies not in size, but "in the fact that have been able to date our strategic in the UK glass says Mr Ronnie Lubner

The expanded UK interests are going to quire a "bedding period" Any furth growth will be generated, and not by of acquisition, he adds.

On the timber side Bertie Lubner reports PGSI's overseas have been expanded serve further opportunities and he pects a "much more stantial move into tional markets"

PGSI also has interests in Zim which are "holding up prisingly well compared other companies" there are not doing as well comparison with years The problems experienced with foreign exchange, costs and high rates are not confined PGSI, small com though that may be

Interestingly, PGSI is under any kind of from the Zimbabwe ernment, as one might pect of local subsidiaries SA firms Mr Bertie says that black weans have been to management and an extensive programme is under

However, like many er Top companies that currently suffering, seems well placed to advantage of the upturn

Since the last financi year end, it has merged SA glass interests those of Pilkington Bro ers in a 50-50 deal that up Glass South Africa (P Ltd This firm is the nating force in the glass market, and PGSI does not "any effect on earnings share in the short-term, should result in a ful increase in the term"

Mr Ronnie Lubner pects to spend the next or so cracking the whip get Glass SA into shape

Being such a force in the market, er, does not provide cant opportunities for panding market share places the company at mercy of the state of economy It means short-term growth nities are more likely come from overseas ations.

This year will also be the first without chairman Morris around. Mr Lubner died June 18 this year after lifetime of contribution PGSI. No doubt his attendance at Friday noons' sales meetings, at the age of 81, will sorely missed.

Competing with accounts giants

THE traditional Anglo-Saxon dominance of the international accountancy profession is being challenged.

At the level of standard setting the UK and US models are copied throughout the world and will always form the basis of best international practice — but at the level of the professional firm, attitudes are changing and the international firms are having to come to terms with the increasing strength of nationally-based firms

The growth of the Big Eight still continues Peat Marwick Mitchell, for example reported a 7% increase in world-wide fee income to $1,23-billion in the year to June It was earned by a staff of 27 000 who worked 29,6-million chargeable hours

The top firms maintain their dominance by piling very considerable resources into training and research so that they can [illegible] some of the best [illegible] tap the largest re[illegible] — and usually [illegible] the highest fees [illegible] resources are par[illegible] advantageous in [illegible] up with technologi[illegible] changes

Arthur Andersen has es[illegible] a clear lead in the [illegible] of software and [illegible] processing consult[illegible] among the accountan[illegible] firms Others have con[illegible] on developing [illegible] computerised au[illegible] support systems

All the international [illegible] have found that they [illegible] to build up the proportion of local nationals em[illegible] at all levels by local [illegible] Price Waterhouse, [illegible] example, has a policy [illegible] in every country where practises the organisa[illegible] should be conducted [illegible] led by local nationals However, it wishes to [illegible] its stronger international identity, and in the longer term PW intends to reduce the number of member firms, presently 20, to a relatively small number of regional firms All PW partners are members of their national partnership and the world partnership, PWW

Ernst & Whinney has taken a slightly more regional approach, allowing national firms more autonomy, though they still operate within an integrated management style and meet within regional groups.

The Continental Europe E & W seeks national staff with local accountancy qualifications. It is not concerned whether the staff receive either US or UK training This policy averts the kind of criticism of Anglo-Saxon domination which so offended the French and resulted in the international accountancy firms being prohibited from establishing offices in that country.

Mr Eddie Bartholomew, senior partner of E & W Europe, says that in the last year out of 24 new partners appointed in the region 20 were nationals "We find that about half of our work in France, Italy, Spain and Africa is national rather than referral work It makes sense, therefore, to have a strong national partnership, though we then expect our staff to operate according to the world-wide standards of Ernst and Whinney," he says

The trend towards employing nationals has limited the opportunities for expatriate accountants on the audit side, except for countries where the indigenous profession is unable to meet the needs of the firms But there are still opportunities on the non-audit side, in tax and management consultancy.

The big firms see their main area of growth in the consulting field, leaving the audit, particularly of smaller companies, to small accounting firms Mr Bartholomew admits that in the next 10 years E & W could see its non-audit work grow to about half The firms are building up special areas of expertise in either office automation, health care, financial institutions or development projects

This trend has left a lucrative area for medium-sized accountancy firms which is being filled by an increasing number of international federations such as Klynveld Main Goerdeler

The Atlantis Diesel Engine plant . . . accountancy firms are building up special areas of expertise such as project development

KMG is a worldwide accounting organisation consisting of well establised national firms including Thomsom McLintock in the UK, Deutsche Treuhand in Germany and Sanwa Tokyo Marunouchi in Japan Its philosophy is "of dual identity within each country, national and international" They supplement national staff with expatriates when they are needed to service international clients with subsidiaries in that particular country

The established accountancy organisations which have been discussed so far have been within the top 10 UK accountancy firms Some interesting new developments have come about in the last couple of years between accountancy firms a little further down the scale, especially in Europe

The smaller firms are benefitting from the increase in accounting and auditing work arising from the implementation of the EEC directives on financial statements. The importance attached to the audit statement and the need for a "true and fair" view has enhanced the standing of the profession in some countries

The growth in venture capital investments and over the counter markets has also expanded the demand for corporate finance services by the medium-sized company

These trends in practice development have encouraged a different kind of international link-up from ther mergers which characterised the seventies Their basis is mainly one of referral and assistance between national firms Dunwoody Robson McGladrey and Pullen is one such group, to which the UK partnership Robson Rhodes belongs The managing partners of the European firms meet frequently to discuss practice development and the ways in which they can assist each other

Another organisation, DHR International, was founded in February 1982 to offer international cover to the clients of each of its members Walter Hoffman of Howard Tilley in the UK says the arrangement has proved most effective "The flow of business in recent years has been from the Continent rather than the US and we have found that the referral work has gone up since joining DHI International" Typically the companies they deal with are in the £1-million to £5-million turnover range

Another kind of accounting network for small firms has been established in the U S and is spreading around the world One such group, the International Group of Accounting Firms, provides a back-up of staff training and conferences for smaller firms that wish to keep their own identity They conduct peer reviews approximately every three years and demand a high level of active participation by member partners within regional groups to encourage a high and uniform standard of professional practice

IGAF, administered from an executive office in Miami, has 51 member firms with total fees around $120-million. It has only two firms in the UK, including the 10-partner firm of Levy Gee in London, though the number is expected to increase in the next few years

With publicity restrictions likely to lift, accountancy firms are going to be able to market themselves more easily This trend, coupled with the growing strength of national professions in many countries, is likely to encourage more international federations of firms in more healthy competitions with the old Anglo-Saxon giants

Financial Times

ACCOUNTANTS GET TO GRIPS WITH COMPUTERS

NEW TECHNOLOGY is changing the once staid business of accountancy. To survive in the present market, accountants, like everybody else, are having to sharpen their business efficiency.

This year's Accountants Exhibition at the Barbican in London underlines the trend. Dominated by computer firms specialising in accountancy applications, the show is full of the latest hardware and software.

Computers are finding favour with accountants as they are with other businessmen. Hence, as is reflected in the exhibition, everyday reporting systems, many based on micro-technology, are much in evidence.

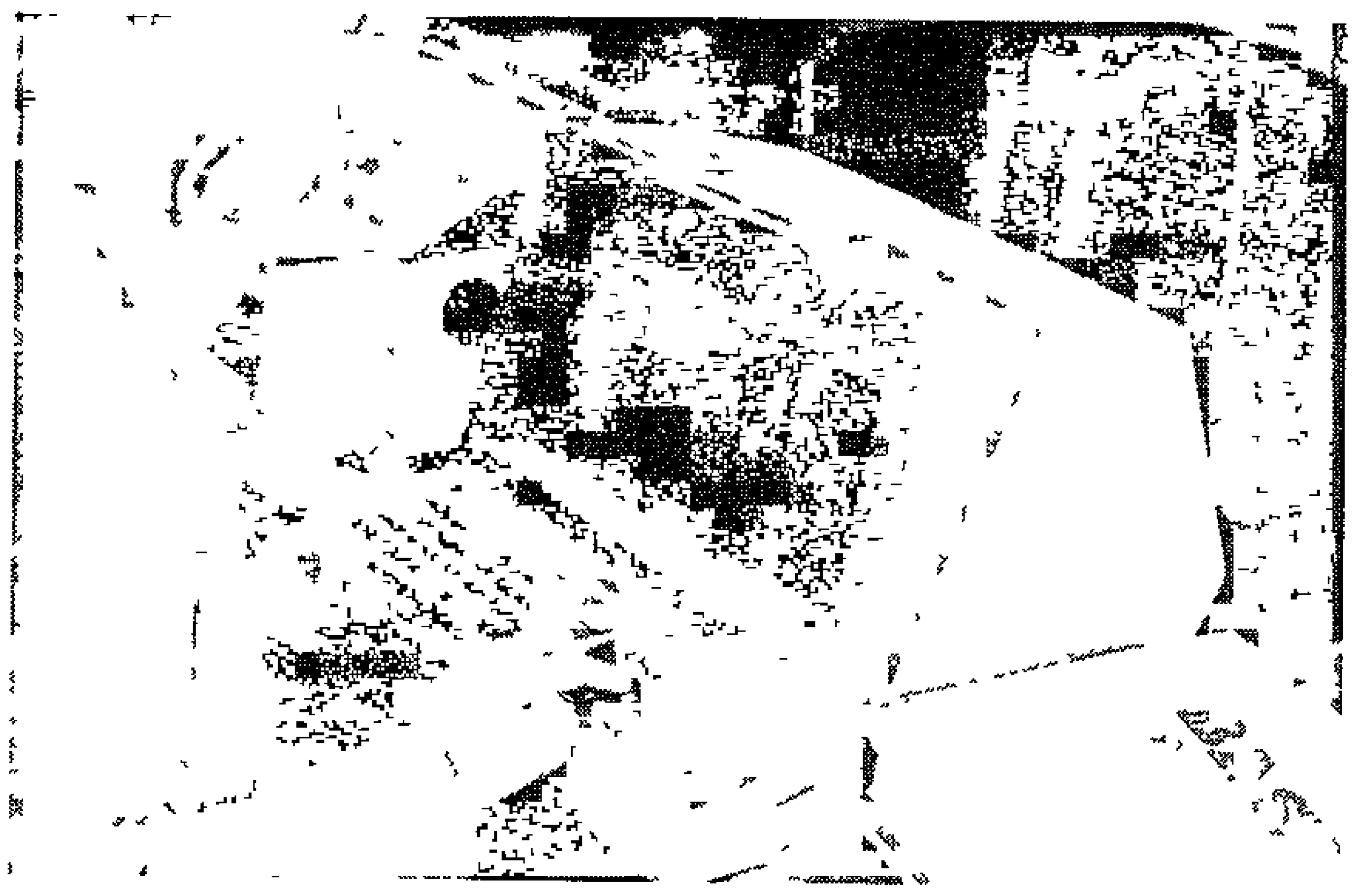
On show at the exhibition will be a sprinkling of systems aimed at the accountant in practice. But as recent surveys by the professional accountancy Press have shown, at least half of the accounting firms in the UK have still to get to grips with computers.

But there is an increasing band of accountants who have taken it upon themselves to write their own software, perhaps because they just like playing around with computers but more likely because they sense a gap in the market with too few programmes written from the point of view of the accountants who will be using them.

Four of the member bodies of the Consultative Committee of Accountancy Bodies (the umbrella organisation for the UK accountancy profession) have set up a computing liaison committee to advise the member bodies and give a voice to their views on trends in the computer world

Despite its computer liaison committee, however, the accountancy profession's response to the new technology continues on a largely ad hoc basis, with the large international accountancy practices paving the way.

A partner at the Big Eight accountancy firm of Deliotte Haskins and Sells, Eddy Peers, sees three main areas in which the "computer revolution" is affecting the work of accountants. First, in "bread and butter" auditing work the computer is laying a much more significant role than even two or three years ago.



Staying ahead in the efficiency race . . . accountants get logged on

Secondly, the computer is making it much easier for the accountant to keep an eye on this practice In common use are various computer systems to help the busy partner keep track of time records and to make the administrative function run smoothly.

More advanced are the grandiosely termed "decision-support systems" designed to help the accountant (or executive) make strategic decisions to further the cause of the business

Finally, there are "practice support systems," which include the so-called "expert systems" to aid tax planning and similar tasks These are currently all the rage in other professions — for example, with American doctors using computers to aid diagnosis. But the backlash has started with worries that too much reliance is being placed on machine print-outs

One way in which the majors have found computer systems are affecting auditing is, in the need to train accountants "in the nature of computer systems". To evaluate a company's internal control the auditor must look for weaknesses in the computer system.

This means looking at "types of authorisation" within the computer system, going back to the original creation of the programme, looking at the role of technicians in the system, and the effectiveness of passwords

Auditors can use the computer to help them in the verification of accounts which in a concern of any size will almost certainly be based on some sort of computer system. Since the mid-1960s the large accountancy firms have been using audit sofware to interrogate clients' computers

"In the early days the programmes just used to mimic a computer operator. But now the computer programmes do things which the accountant could not hope to do as part of an audit," claims Peers.

Financial Times

More takeovers, number of listed firms drop

By Barry Sergeant

SOUTH AFRICA'S number of listed companies shrunk once again this year Much of the activity surrounding this shrinkage was accompanied by statements from all quarters on the increase of economic power and concentration

The mergers and takeover market displayed a high level of activity, precipitated by the lifting of exchange control regulations over non-residents. Also, new-fangled use of company and tax law has made equity financing less attractive than debt financing

The glamour transactions were the return of Premier control to South Africa, and the Old Mutual purchase of Rennies from Jardine Mathieson in Hong Kong

Another mammoth transaction was the Metal Box-Nampak merger Combining the skills of three Merchant Banks, about R358-million was involved Following close behind was the Plate Glass-Pilkington merger, resulting in Glass SA being formed, worth some R300-million

Other monsters of the year were the re-organisation of Unidev and the floating of Stanprop (about R200-million), and the re-organisation of Reunert in the Barlow Rand stable, involving the same amount of money.

Analysis by the Merger Research Bureau at the University of the Witwatersrand shows that merger and takeover activity has maintained a steady momentum over the past decade

It notes, however, that a definite trend has been established in listings and delistings It says that the 'nose-dive in listings and strong increase in de-listings constitute convincing proof of the rise in economic power and concentration in the South African economy

This trend has received much attention this year. On September 8 the Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers, announced that the Competition Board would be conducting a general enquiry into interlocking directorships, big business mergers and takeovers.

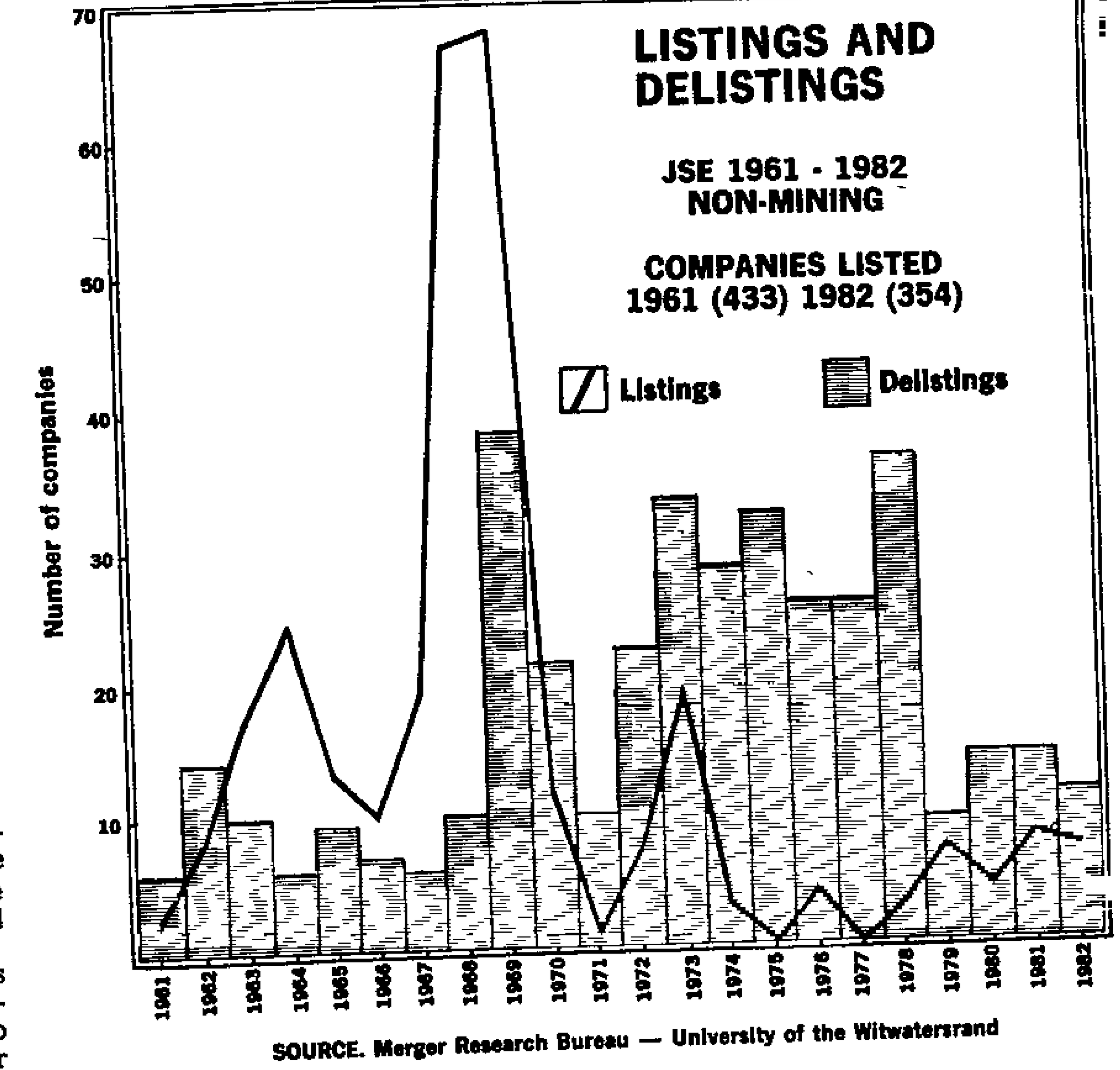
On October 23 some of the recommendations of the Standing Advisory Committee on Company Law were released Its members include Mr Justice Margo, Prof S J Naude and Prof Michael Katz It recommended the formation of a high-powered takeover panel, based on London's City Code (permitting flexibility) and the US's Securities Exchange Commission, which would give it statutory teeth

Business leaders such as Dr Anton Rupert of Rembrandt felt the need to speak openly of the power trend. He noted that between 1970 and 1980 about 700 mergers and takeovers had occurred, involving more than R6 000-million From 1981 to halfway through 1982, there were 111 transactions involving R4 200-million

At the end of 1982, the top-100 industrial undertakings had assets of R41 000-million The top-20 comprised 61% of the total

Mr Donald Gordon, head of Liberty Life, forecast that by 1990 the South African economy would be dominated by six corporations, and three of them would be insurance corporations Recent trends suggest that Liberty Life will be one of them

An analyst who said that Anglo American-owned half of the shares listed on the stock exchange earned a sharp rebuke from its chairman, Mr Gavin Relly He said that the figure was wrong because it inv... double counting of py... holdings Said Mr R...: "One statistic that gives ... great pleasure is that, the Johannesburg St... Exchange's R99-billion ... ue at least 26% is ... of the enterprise of A... American"



SOURCE. Merger Research Bureau — University of the Witwatersrand

Self-regulatory bodies keep a watch

WHO polices the security industry in South Africa, and looks after the interests of the investor? The answers to this question are vital to the myriad parties involved in a merger or takeover

Generally speaking, control over securities may be self-regulatory — a body appointed by members of its own profession, and not having the back-up of penal sanctions for contraventions, as found in the London City Code or the Johannesburg Stock Exchange The other main body is the regulatory body, as exemplified by the US Securities and Exchange Commission (SEC)

Most, if not all, bodies in SA that are involved in the control of the securities industry are self-regulatory

Protection

By way of a background, the following forms of protection are found in SA.

- Minority shareholders This group of investors is protected to some extent by the Listings Committee of the JSE, which in effect assumes the role of a Takeover Panel

Its shortcomings are apart from a representative from the Financial Institutions Office, all its members are practising stockbrokers, the rules relating to takeovers are not comprehensive, and have not been regularly revised, and the Committee has no power to punish wrongdoers

Rights

Under the Companies Act, minority shareholders are given special civil procedure rights that are rarely used in practice

Although the JSE (or the proposed Takeover Panel) regulates the technical side of takeovers and mergers, the motive behind much of these corporate manoeuvres — growing bigger — is monitored by the Competition Board

Compared to the Anti-Trust section of the Department of Justice in the US or the Monopolies and Merger Commission in the UK, the Board has very limited powers as to enquiry and recommendations that it can make

Its findings must be approved by the Cabinet and cannot be challenged in court It is not responsible for enforcing its decisions once the Cabinet has approved of them A finding of the Competition Board may have vital implications for minority shareholders

- Trading in gilts (Escom and SA Government stock)

Although the JSE has a comprehensive book of rules for share-trading, which is frequently updated, the rules for dealing in gilts are infamous for their brevity

Criminal

- Insider trading Such activities are to some extent controlled by the Companies Act, where they are a criminal offence

It is common knowledge that several cases have been referred to the Attorney-General, but that no prosecutions have been made

The practice is open to wide abuse in SA because of the existence of inter-locking directorships, and the existence of nominee shareholdings

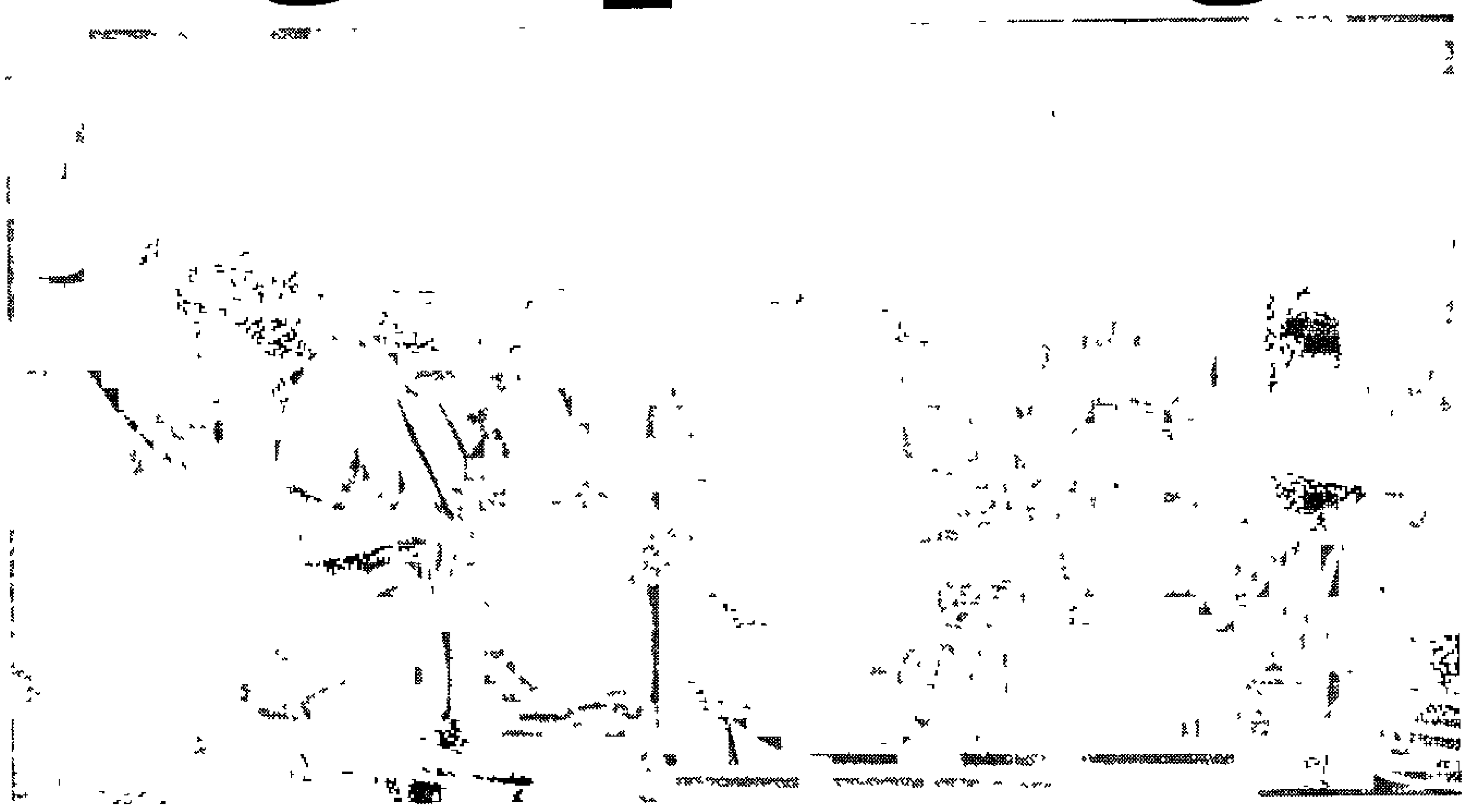
- Accountancy South African chartered accountants and auditors have a self-regulatory body that is responsible for the technical quality of reporting

New and improved standards of accounting are published regularly, called Generally Accepted Accounting Principles (GAAP)

Lions share of game farming up for grabs

LARGE South African companies pay out millions of rands annually in an effort to assist the national conservation effort While the sentiments behind such handouts are laudable, the time has come to investigate the commercial opportunities presented by conservation

Contrary to popular opinion, the goals of business and conservation do not necessarily conflict. Wilson Stephens, former editor of The Field, in fact argued that species like the otter and Atlantic salmon would be extinct were it not for the hunter and fisherman



Multi-use game farms ... shooting twice a day: a camera in the morning and a rifle in the afternoon

BARRY SERGEANT examines the case for investment in multi-use game farming

By paying for their pursuits, they turn conservation into a business that ultimately is beneficial for the species

Business in South Africa has always contributed to conservation in the form of cash handouts But, observes a senior conservation officer "The donor has little or no control over where the money goes, or to what ultimate beneficial use it is put. Its value is often watered down by bureacratic red tape."

The African continent is stricken with examples of abuse in the conservation of wildlife, but with the chronic conditions prevailing in agriculture, that is hardly surprising

Southern Africa has a list of 18 large game species that are easily harvested, ranging from the elephant to the buffalo and the eland

They are often the best and most productive stock to keep, being more disease-resistant and adaptable than their domestic cousins.

According to the government's Division of Agricultural Economic Trends, game farming is potentially highly profitable

Game farming was recognised by Government as a legitimate activity — putting it on a parallel with other farming for tax reasons — two years ago The Division says this was only one of many hurdles to cross.

Present production at 10 000kg per annum is only 2% of total red meat production Venison has been exported to Austria and France since 1976, and West Germany since 1978 Value terms rose from R4-million in 1977 to a high of R10-million in 1980

Demand for venison has steadily dropped off because of drought, recession and South African venison never establishing a clear image overseas, according to the Division.

In South Africa, one common hurdle equally applicable to game farming is diminishing resources. The process of desertification is well advanced The Karoo (which once supported an estimated population of 300-million animals) is advancing on a wide front of 10km per annum across its circumference

In Kenya, ecologist Dr David Hopcraft found after 10 years of experiments that game produced the highest bio-mass per square mile Cattle under traditional methods produced 2 100 kg per square km, well managed stock cattle an average of 8 300, plains game an average of 15 000

Plains game in higher rainfall areas produced an astonishing 21 000 kg per square km

While around 2 000 people are born in South Africa every day, Government and the private sector spend about R25-R30 000 to create a new job

The need to invest in conservation, not for the sake of sentiment, but in the business sense of the word, is eloquently argued by Mr John Varty of a multi-use game farm Londolozi.

"What is needed is large corporations to step in and invest in these types of schemes in the long term, run on a profit incentive business-like basis using wildlife as the land use and applying multi-use schemes

"This will be a far greater and more meaningful donation to wildlife than the millions that have been given by international organisations and banks to governments for anti-poaching and sentimental non-practical wildlife projects"

Where are the monetary gains? Tourism generated R550-million in foreign exchange in 1981 (the latest figure available) Photographers and hunters will pay fortunes for well-organised safaris

Historically, conservation has been the domain of a thinly-budgeted government department But it has achieved wonders, drawing admiration from experts in the US The true capital value of government's investment in conservation has been marked by land purchased for game reserves

The biggest, oldest and best known of all is the Kruger National Park The public's vested interest in it was demonstrated in recent years by a massive petition signed against the threat that coal mines might be built there

Developments in a nearby country show how the integration of vested rights, politics and private enterprise have affected wildlife in Africa

In Botswana, most of the beef produced is exported to the EEC. A large percentage of the country's 1-million population depends on beef farming as its main source of income

Due to the vast areas involved (it is the size of France) much of the population is isolated but has managed to coerce farming help through political avenues

As a result, huge areas — especially around the Okavango swamp — have been sprayed for tsetse fly As a complimentary measure, hundreds of thousands of hectares of woodland have been flattened, because the tsetse will not fly across open land

A second and extremely worrying measure taken to protect the voting farmers has been forced on the country by the EEC In 1977-8, foot-and-mouth was reportedly brought into the country by Rhodesian refugees fleeing the war and bringing diseased cattle with them Botswana was shut out of the EEC until 1981

An EEC investigative team determined that certain fences should be built so as to prevent further outbreaks The massive fences caused the well-documented deaths of thousands of head of game that had traditionally — for thousands of years — trekked from the north-east of the country to the south-west for the winter

The prime example of corporate involvement there has been on the downside A senior government official has aerial photographs to show that Debswana, a subsidiary of De Beers, has diverted the natural flow of the Ngabe River.

Whereas the Ngabe river has historically fed the Boteti and the unique Lake Ngami, the diamond mine Orapa — which lies in the Kalahari where the Boteti peeters out — needed more water It diverted the flow of the feeder so that this year Lake Ngami, vital for cattle and game, and the source of an important small fishing industry in its wet years, is dry.

Most of the initiative has come from private farmers In the Ghanzi and Molopo areas, farmers allow game to stay on their farms on a sustained yield basis (culling a percentage in line with the year's rainfall) In eastern Botswana, a private consortium has invested a large sum in Bushfillian, a multi-use game farm.

An upside example is the Moremi game reserve in the Okavango region At the request of the tribal people, the size of the reserve has been increased three times Said an observer "This explodes the myth that a park is a totally protected unit These tribal people are instinctively practising what conservation is all about the correct utilisation of their resource."

South Africa's future in multi-use conservation is well set for consolidation and a much higher national threshold

An observer in the US said recently "People there (in South Africa) view attitudes toward hunting as personal matters with no place in the circus of consensus politics

"Most legislative decisions affecting wildlife in South Africa are based on expert, meaningful scientific testimony — not on the opinions of moralistic zealots" This, said Mr George Reiger, primarily distinguished South Africa from the US view on wildlife.

The future in South Africa seems to hinge around the development of multi-use systems This involves four inter-active tranches photographic safaris, hunting safaris, food production and resource exchange

While the first three are self-explanatory, the last involves management of an area in conjunction with the peasants there The objective is an illustration of tangible benefits that can be had from expert game management.

Said a multi-use game farmer to Business Times "Animals can be shot twice in a day Once in the morning with a camera and in the evening with a gun In both cases, income is produced, with all the multiplier effects"

One of the prime exponents of multi-use systems are the Varty brothers They are forthright and pragmatic in their approach Such an approach is not only sensible, it is based on 10 years experience of multi-use system management

Much of the interest in developing multi-use conservation ranches in South Africa has ironically come from foreign sources

A consortium has commissioned a South African team to restore land denuded by overstocking and erosion in the Eastern Transvaal It will be used in the future for stocking of game and multi-use systems Hundreds of thousands of rands are being invested in the project

A recent advertisement in the US Press for ranch reclamation and development in South Africa elicited responses from around the world, even one in Saudi Arabia If the Arabs can see returns in conservation, South African companies are missing an opportunity on their doorstep

The day the cash dried up . . .

ONE of the great features of this investment year has been the sudden, albeit temporary, drying up of the institutional cash flood that has underpinned the market for several years

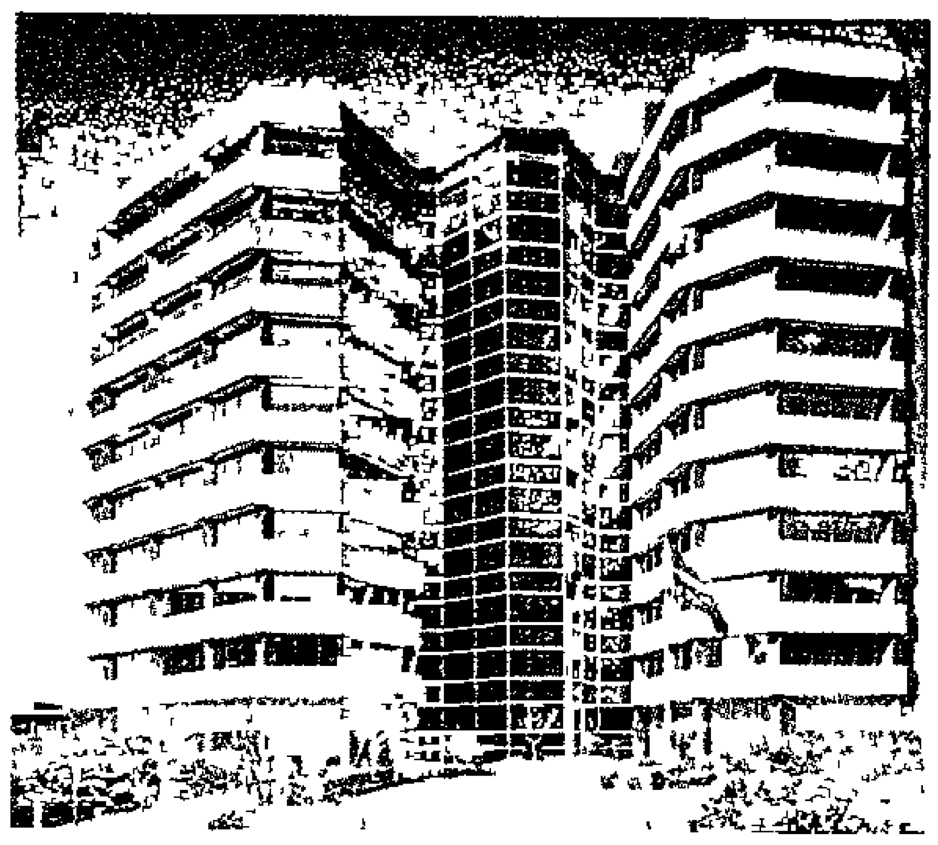
The scrapping of the financial rand and corporate power play made it an extraordinary year. One minute institutions were wallowing around in cash, short of scrip and buying every equity they could lay their hands on.

Next minute the financial rand was scrapped and selling South African shares became attractive to foreigners.

This and the battle between the corporate giants described elsewhere in this survey did much to run down institutional liquidity

Associated British Foods agreed to sell its 52% stake in Premier This absorbed R337-million of funds from the main purchasers, Liberty, JCI and Anglo Then Jardine Matheson of Hong Kong agreed to part with Rennies for a staggering R197-million.

By David Carte



Metal Box UK was next on the disinvestment bandwagon, selling control to Barlows' Nampak for R67-million.

This was not the last of it. As gold went weaker, a large number of American and other foreign investors unloaded gold shares Goldfever stricken South African institutions were eager buyers, taking perhaps R1 000-million of off-loaded foreign stock.

Then to complete the drain a number of South African companies decided to take advantage of the strong stock market to put their balance sheets in order for the "coming upturn"

A Max Pollack & Freemantle survey showed that Barlows took R150-million, Tiger Sugar, R80-million, PPC R31-million, ICS R40-million, Barbican R2,5-million, Cadswep R5,3-million, Checkers R38-million, Coki R8,2-million, National Properties R700 000, Sappi R150-million, Union & London R8,5-million and Volkstrust R13-million, Stanprop R10-million Prudential R25-million (this issue attracted R900-million, evidencing amazing liquidity) and Umdoni R5-million, making a gross total R527-million.

All this amounted to a drain of around R2 000-million from institutional coffers

Institutional cash flows for 1982 were estimated by Martin & Co at R6 200-million — four times their level of 1976

This firm estimated cash flows would be R6 600-million this year In recent years institutions have put only 18% of new cash flow into the market, so under normal circumstances R1 200-million would have gone into equities

Under this year's abnormal circumstances, far more has been committed to shares And enormous sums have gone into fixed interest and property as well.

Today most institutional coffers are fairly low, particularly, it is surmised, those of Liberty, after its enormous purchase of Premier, Old Mutual after Rennies, Sasol and Barlows

To this extent, the SA share market no longer has the weight of funds to support it that it has had and if gold weakens further and another bout of selling hits the market, the retreat could be far more marked than it has been so far

But analysts are not unduly worried about what they see as a short-term situation, pointing out that the cash is still running into Sanlam, Mutual, Liberty and the rest at the rate of tens of millions a day

There are not too many Sasol and Barlows rights issues ahead in the immediate future, particularly if the market does weaken a bit and earnings and dividend yields rise, making equity capital expensive

Nor can the financial rand be scrapped again So the institutional cash flood and the weight of funds should return to support the JSE until that far-off day when exchange control is removed altogether

Still loopholes in tax act

THIS YEAR'S changes to the Income Tax Act saw many radical changes with far-reaching effects. But many long-awaited amendments went by the board, with hardly a murmur from the hard-working taxpayer.

Observers felt many of the changes made were politically motivated — by high-powered lobby groups — and many pointed to the generally compliant nature of the South African taxpayer

"Tax to me is a deduction off my salary called PAYE," said one

By Barry Sergeant

The most ingenious form of tax ever invented — called "inflation" — was the most widely-reported event in the business pages this year, and the Prime Minister even called a conference to discuss the double-digit problem

"It should be noted that taxation by inflation will have the effect of transferring real wealth from those who have claims expressed in nominal terms (such as a building society or bank) to those who have debts expressed in nominal money terms (such as a bond-holder or borrower)," argues Professor Theo van Wyk of Unisa.

Inflation has become public enemy No 1, and has been the prime cause of taxpayers becoming aware of what they are paying, and where it is going. Some readers wrote to the Press complaining that some basic abatements (as opposed to deductions) have not been increased since 1980

What the readers are really trying to complain about is a creature known to economists as "fiscal drag" While inflation forces salaries upwards, the sliding tax scale — which remains fixed — ensures that the taxpayer pays more tax every year, by moving into a new tax-bracket with a higher salary

The Minister of Finance said tax would probably not rise next year, but fiscal drag will ensure that more tax will be collected anyway. He has said nothing about the abatements being increased, meaning that he will collect even more tax. What about the deductions?

Some loopholes were closed this year. The lease-hold improvement allowance — long abused — has cost the fiscus hundreds of millions of rands It was closed all right, but it still has loopholes.

The long-awaited fringe benefits tax did not materialise. Observers say that while the enacting legislation is simple and can be stated in a few paragraphs, the problems of administering such a tax are horrifying.

Government knows about collection problems from the countless GST-payers Receiver of Revenue, Mickey van der Walt, indicated that out of the R15 742-million collected in 1982, Inland Revenue accounted for R13 700-million. The costs of collection in his department were around R30-million

There may be political moves afoot in the fringe benefits arena Tax experts say many of those who will fall into the inclusion include civil servants with their subsidised mortgage bonds.

But some in the private sector have already tied it up. A financial institution has openly told its employees "We have a ruling from the taxman. It says that our bondholders will not be affected by the general inclusion of the fringe benefits tax."

When it was announced in November that the tax-base was being extended to include blacks under the Income Tax Act, nothing was said of marriages Our law does not recognise most black marriages because they are customary This could mean that most blacks will be taxed at the single (higher) rate

No progress was made with public accounting for tax forgone in respect of a myriad of tax allowances granted. Business Times published a figure of R2 000-million that would be lost in revenues in calendar 1983, which was unchallenged The true figure is probably much higher

While mining houses were banned from trading in tax-base (selling tax allowances because they have insufficient profits to absorb them) earlier this year, the rest of commerce and industry is having a roaring time in the trade.

A widely expected amendment in the new year concerns pure endowments They will probably be banned henceforth, because of the commissions structure, and the fact that an endowment may be used to pay off a bond On industrial properties the bonds can be very large, encouraging collusion

The OECD has identified 39 forms of taxation Britain uses 25 of these, France 26 (the highest of any country), and Turkey 13 South Africa has at least 11 main forms of taxation

One of the most disliked — fines and forfeitures — raised R6-million between 1 April and 31 July this year

Turnabout seen in manufacture

ARGUS 13/12/83 (186)

A turnaround has occurred in the manufacturing sector and further improvements are expected in the first quarter of 1984, the Bureau for Economic Research at the University of Stellenbosch reports.

The Bureau has published preliminary results of an opinion survey for the period November 11 to December 2 this year, based on 2 287 respondents among manufacturers, wholesalers, retailers and motor traders

It found higher volumes of sales and production as well as increases in orders in the manufacturing sector compared to the same period last year

The value of unfilled orders in relation to sales was showing continued improvement

WHOLESALERS

The majority of the correspondent wholesalers believed the downswing in the activity of this sector was something of the past Higher volumes of sales were reported and more orders were placed.

Businessmen in the retail trade remained pessimistic about conditions in general although the volume of sales was above that of a year ago. Stocks were almost in balance with expected demand

In the motor trade sales of new vehicles were slightly up while the number of orders placed remained unchanged. Dealers in new vehicles expected general business conditions to improve

Used vehicles remained in oversupply and a slight majority of dealers in this sector assessed conditions in general to be worse than a year ago.

BUSINESS CYCLE

The Bureau said the results implied that the business cycle of the manufacturing and commercial sectors had reached a lower turning point

Manufacturers in particular had apparently entered an expansionary phase, while retailers were slowly but surely making up lost ground

Prices in these sectors were rising more slowly and a better utilisation of productive capacity could sustain this trend for a while

No substantial overstocking was reported which could be indicative of the commencement of a new inventory cycle.

Even at the present relatively low level of activity shortages of skilled labour had become more serious — Sapa

MANUFACTURING – GENERAL
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Draft bill for workers' safety

From BARRY STREEK

A NEW draft law to promote the safety of workers in factories has been published by the Department of Health

The Occupational Medicine Bill will impose a duty on employers not to expose workers to prescribed agents for a longer period, or in a concentration higher, than prescribed

Employers will also have to ensure that ergonomic factors do not harm the health of workers

Ergonomic factors are defined in the draft bill as any workplace or any machine, appliance, equipment or article used by, or to which an employee is exposed in the performance of his duties which may cause a psychosomatic illness or which does not fit the anatomical and biological characteristics of man

The new bill will operate in conjunction with the Machinery and Occupational Safety Act which was passed by Parliament last year and which falls under the Department of Manpower

Both measures follow a long dispute between the two departments as to which one would be responsible for ensuring the saftey of workers

Stronger action to ensure the protection of workers in South Africa was called for by the Erasmus Commission of Inquiry into Occupational Health which was published in 1976

Comment on the Occupational Medicine Bill has to be submitted by the end of February

Examinations

It provides for free medical examinations, at the cost of employers, where workers are exposed to prescribed agents or ergonomic factors and no employee may work under these conditions without this examination

It will prohibit the victimization of any worker, either through dismissal or reduction of pay, if the employee provides any information to the Minister or department, or if he is suspected of doing so, about matters falling within the ambit of the law

Employers will also not be able to make any deductions from salaries if they are required to take steps to protect the safety of workers

The bill provides for inspectors who will be able to enter any premises without previous notice and they will be able to question any person

The inspectors will also be able to seize any certificate, report, book, document or sample

They will have the power to stop workers continuing working with an agent, order the medical examination of workers or rectify medical conditions

Provision

The bill also makes provision for the appointment of an Advisory Committee for Occupational Medicine

In addition it will apply to the state and employees of the state.

Fines of R2 000, or imprisonment of 12 months, or both, can be imposed for contraventions of the new bill

Business Day (180) ROM 27/1/84

Future growth depends on manufacturing

Financial Reporter

SOUTH AFRICA could not continue to rely exclusively on its mineral wealth for economic growth, Mr Gavin Relly said in Stellenbosch yesterday.

Mr Relly, the chairman of the Anglo American Corporation, said with an expected 50% population increase by the year 2 000, the economy would have to grow between 4,5% and 5,5% a year.

New gold discoveries or extremely high gold prices were unwarranted now so mining's contribution to the economy must inevitably decline.

The burden of growth and the provision of employment would, therefore, fall on the manufacturing sector, he told the Federated Chamber of Industries.

"The contribution of mining to gross domestic product should decline from its present 14% to 10% by 2 000

"By that date manufacturing will have to provide 33% of the total, compared to 24% today."

The contribution of manufacturers to export earnings would have to rise from less than 19% in 1982 to over 40% by 2 000 This was about 8% to 9% a year in an environment in which world trade was growing at half that pace or less

The challenge was a daunting one. Of essential importance was the need to continue forward movements in trade union legislation and other practices to make South African goods more acceptable on world markets

This could be helped by massive urban growth, with as many as 20-million additional people expected to make their homes in the cities before the turn of the century.

Mr Relly said it was essential that this influx be seen as an opportunity rather than a threat

"Indeed, urbanisation is an essential concomitant of national industrial growth"

By the year 2 000, it is expected that:

- The total population of the South African economic area will grow from 30-million to 45-million
- Whites will increase from 4,5-million to 5,5-million.
- Blacks will increase from 22-million to 35-million.
- The white portion will decline to 13% of the total from the current 20%.

GAVIN RELLY

Parliament and Politi

'The IDC has lost its way' — Savage

CAPE TIMES 27/3/84

(180)

Political Correspondent

HOUSE OF ASSEMBLY — The Industrial Development Corporation had lost its way, the MP for Walmer and Opposition spokesman on Industries, Commerce and Tourism, Mr Andrew Savage, said yesterday,

He was speaking during the second reading debate on the Industrial Development Amendment Bill

Mr Savage said clause 3 of the bill empowered the IDC to enter into agreements with "foreign states which were once part of the country" where it can perform any function it can at present in the Republic

The government, he said, was belatedly admitting that the whole of South Afric was "one economic entity" and would eventually have to come to terms with the fact that "we form

"By no stretch of the imagination can one believe that states so dependent on the Republic economically and in every other way are politically independent states "

The PFP, Mr Savage said, was supporting the bill because it entitled the IDC to perform those functions which it is entitled to perform in the Republic in the independent states as well, "not so that it can be hijacked as an additional instrument to bring about industrial decentralization of industry for ideological purposes"

He said the PFP had the gravest forebodings about what decentralization for ideological reasons was going to have on the economy of the Republic and added that there was concern that the IDC would, to a degree, be involved in industrial and other schemes "in a manner which is ultra vires in terms of the Act"

He stressed that the aim of the IDC was to involve itself in projects on economic merit "irrespective of all other considerations whatsoever"

Mr Savage said the minister should spell out whether he envisaged a new role for the IDC with regard to the independent homelands which would involve it in the development of industries other than on economic merit.

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COMMUNICATIONS No 10 March 1984

SOME NOTES ON THE SMALL MANUFACTURER IN THE SOUTH AFRICAN ECONOMY

The following are notes of the luncheon Address by Prof Jan Lombard, Department of Economics, University of Pretoria, at the Industrial Conference of NAFCOC, Durban, 22 February 1984.

The economy of South Africa is on the threshold of a third period of industrial upsurge in which the small industrialist, Black or non-Black, will play a leading role. Each of the three great industrial "revolutions" in South Africa had its own unique features.

The first period between 1930 and 1950 was based on the demands of the mines and later of World War II. The employment advantages devolved mostly on the domestic Whites moving from the rural area to the newly industrialising urban areas. Management came mostly from domestic entrepreneurial talent. In this period the domestic steel and construction, clothing, food and drink industries arose, i.e. either basic inputs or final consumer directed outputs. The second period between 1960 and 1970 was based on the replacement of imported products, particularly intermediate inputs like textiles and chemical products. The new manpower came very largely from immigration and the management very often from subsidiaries of foreign companies.

The third industrial revolution will again have its unique characteristics. It will be based on the inevitable massive urbanisation of the Black population of South Africa. Like the first case, the "push" facts forcing people out of the rural areas will be serious. One such factor is the long cycle of droughts. Another is population growth. The people flocking to the urban areas will not be fully skilled, although they will largely possess the basic educational background to pick up industrial skills. They will, of course, not be well-off, so their consumer spending demands will be elemental to start with. The market demand for such basic items as housing, food, clothing, furniture and similar consumer durables will grow very substantially.

The employment opportunities will once again swing back to the domestic population who, at this stage, will be mostly black. Management will increasingly have to come from domestic talent which, again, will have to be found also among the Black population. In short, this will largely be the industrial revolution of the Black people. There is no need to focus on the racial dimension as such, since it is of little if any functional significance in economics especially if the policy reforms which have been mooted, are implemented.

Even if all discrimination in the entrepreneurial field is removed so that all available talent can play a full part in the growth process, the South African economy will run into a managerial crisis. The giant corporations of South Africa can no longer provide all the staff required from their own ranks to handle the managerial aspects of their increasing investments. They will have to consider new styles of investment in independently managed concerns. The big corporations will have to put more trust in the small industrialist who does not want to be amalgamated into the large business empires. Growth by take-over is giving these big boys considerable indigestion. Growth by sub-contracting is beginning to demonstrate its value. The big corporations are beginning to appreciate the worth of the devolution of managerial responsibility. Therefore, I expect that although the ability to finance may continue to concentrate, the ability to produce and to manage will spread.

The concentration of the power to finance growth in the hands of a few giant investment houses could, of course, be bad in many respects, but it need not necessarily be so. Very much depends upon the degree of effective competition among the giants. The small businessman need not feel threatened if there is at least more than one giant customer for his output and more than one giant provider of his inputs. The key word is competition among these large investment houses - at arms length from one another.

The New Economic policy of the South African government will also favour the small industrialist. This new style is one of greater respect for the forces of freedom in the market, greater recognition that prices must reflect scarcities. This law includes wages as the price of labour, and interest rates as the price of capital. I therefore, expect skilled wages and interest rates on loans to remain relatively high for the foreseeable future, and I expect the cost of less skilled labour to remain relatively low for the foreseeable future. Policy measures will not seriously interfere with these guidelines to relative scarcities.

How will such a policy favour the small industrialist? It will do so indirectly by pushing up the costs of methods of production that rely heavily on high technology, capital intensive methods of production and management by remote control. Here is the new golden rule in the South African industrial economy: he who can devise ways in which to use less skilled workers to good effect will be most competitive. This places a premium on the small industrialist who can work with people rather than robots.

All this is very good also for our employment objectives in this country. One is amazed by reports about the contributions of small business to employment in highly industrialised countries like Canada, the USA, Japan etc. In Canada 59 per cent of the growth in private sector employment between 1971 and 1977 took place in small firms of less than 20 employees. In the USA small (20 or less employees) independent firms provided 52 per cent of all new jobs created in business between 1969 and 1976. In Japan the figure was 58 per cent for small firms of less than 30 employees.

Similar patterns are reported for many other industrial or industrialising countries. Contrary to the popular view of Japanese manufacturing as a monolithic industrial complex dominated by a few giant corporations, in reality it is the massive infrastructure of small and medium-sized subcontractors which largely account for the competitiveness of Japanese exports. The high level of subcontracting to smaller specialised producers (exceeding 50 per cent of direct labour in many cases) allows the primary producers to benefit from keen competition at the subcontractor level which enables them to hold down production costs. At the same time, this system provides great flexibility in enabling output to be expanded rapidly as the market grows, and conversely, to reduce capacity when demand declines.

In South Africa, industrial employment has, so far, been far more concentrated in big business producing consumer goods for the high income households in the core-economy and intermediate inputs for mining, agriculture and the rest of the economy. Under these circumstances domestic cost of production tended to be high and increasing. Accordingly demands for industrial protection and for import control tended to be vociferous. But this pattern of industrialisation has reached the stage where it is defeating its own ends. It has, in fact, reached the end of its tether.

The new, third industrial revolution will cater for the broad elemental demands of the urban masses. It will enjoy a national protection from imported competition. It will not need artificial protection. In fact, controls which cause cost increases and inflation will militate against the interests of the small industrialist producing for the rapidly growing domestic consumer market.

The small South African industrialist of the future needs much less government control than he is getting at the moment. Fortunately this is being better understood by the bureaucracy.

But he needs more information on market demands and on resource availabilities. And he needs a lot of advice on financial management. On the latter, the Small Business Development Programmes initiated since the Prime Minister's Carlton Conference with business, have begun to improve the situation. On market penetration, perhaps this is one thing the new small businessman should figure out for himself. On technology for the small industrialist, perhaps the CSIR should consider the introduction of a service within its existing framework.

J J Stadler
DIRECTOR: BEPA
March 1984

Alexandra negotiates for industrial area

Star 3/5/84

(180)

By Revelation Ntoula

The Alexandra Town Council is negotiating with the Johannesburg City Council, the Sandton Town Council and the Government for the incorporation of the white industrial areas surrounding the township

According to the Alexandra mayor, the Rev Sam Buti, negotiations are in an advanced stage.

If they are successful, the Alexandra municipality could become the most economically viable of all the newly created municipalities under the Black Local Authorities Act

Areas included in the incorporation attempt are the Kew industrial area to the South of Alexandra, the highly industrialised area of Wynberg to the West, and the developing industrial area of Marlboro to the North.

It is estimated that the three factory areas together employ more than 75 000 workers, most of whom come from areas outside Alexandra municipal jurisdiction

At present, the Wynberg and Marlboro factories pay levies to the Sandton council, while those in Kew pay the Johannesburg city council.

INJECTION OF CASH

It is believed that if the incorporation negotiations ultimately bear fruit, the measure could lead to a massive injection of much-needed cash for the debt-ridden Alexandra council It would also make the black municipality one of South Africa's wealthiest local authorities under the new Act

Commenting on the incorporation moves, Mr Buti — who in 1979, successfully spearheaded the "Save Alexandra" campaign — said if finally successful, the transfer of the three industrial complexes would prove the Government's sincere intentions in its call for reform

"Now is the time for the Government, the Johannesburg City council and the Sandton Town Council to show in tangible terms what reform and new dispensation calls are all about Words must now be translated into action," Mr Buti said.

He added that his council was confident the talks would be successful

'Black businessmen hold key to solving job problems in SA'

~~300~~ ~~P72~~ 180

8/5/84 Star

By LOUIS BECKERLING
Business Editor

BLACK businessmen held the key to solving South Africa's most pressing problem — the creation of employment for a growing army of job-seekers, said Mr Louis Rive, author of the "Rive Plan" for upgrading living conditions of blacks in the Eastern Cape..

Unless this problem was resolved "immeasurable misery" lay in store for all South Africans, he said.

Formally opening the R850 000 industrial park established in Kwazakele by the Small Business Development Corporation (SBDC), Mr Rive said today the indescribable misery experienced throughout the major part of Africa — "unemployment, hunger, famine, disease and despair" — bore testimony to the consequences of failing to balance job opportunities with job-seekers.

"What can we do about it? The answer lies in the hands of the black man. Only he can achieve the balance

"He must stand up and realise that if he wants to help stave off disaster he must no longer be satisfied to be an employee only — he must become an employer, he must help create the jobs so sorely needed for his people

"I have no doubt in my mind that the whites are not able to do it alone."

He said blacks did not need handouts, but a helping hand to acquire "their rightful share" in the country's economy".

Mr Rive said this summed up the approach of the SBDC and the new industrial park.

Added incentive to the development of a burgeoning black business sector would come from the simplification of business registration and administration envisaged by the Close Corporations Bill, he said

"Its basic purpose is to simplify procedures surrounding the formation, registration, management, and control and liquidation of such corporations (limited to a corporation of between one and 10 persons)

He said it was his wish that this would help black businessmen to find their feet.

Commenting on the completion of his plan for upgrading living conditions for blacks in the Eastern Cape, Mr Rive paid particular tribute to the chief director of the Eastern Cape Development Board, Mr Louis Koch, and the board's chief commissioner, Mr George Reynolds

● See Page 14

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RDM 25/6/84 (180)

Just no ducking automation onset, report argues

By MIKE JENSEN

THE argument that industry should not automate because of its labour situation is naive, says a research report.

It says automation must be regarded as inevitable if the manufacturing industry is to emerge from its crisis

The head of the University of the Witwatersrand's department electrical engineering, Professor Mike Rodd, says several studies have concluded that the manufacturing industry is in dire straits

Prof Rodd believes the only way out is automation to increase productivity and the standard of goods produced, thereby improving export potential.

Comparing international statistics on productivity per capita illustrates the serious situation in which SA finds itself.

"In essence, we rate as a competitor for countries such as Turkey and Spain. In comparison with the US, our productivity is some four times less"

It is not surprising there is a trend towards the closure of factories and the import of products from the East. While we are not alone in this, we have a greater resistance to automation, he says.

A typical example is GEC's closure of its small electric machines plant in KwaZulu. An Australian company faced a similar problem of producing uncompetitive electrical machinery Instead of closure, the plant was robotised.

"The result was to create a facility able to produce electric motors, comparable in cost to the imported Japanese one and, in terms of quality, just as acceptable"

SA's manufacturing industry had certain unique features — primarily because of the small population level and the high number of products marketed. There was, therefore, a limited demand for each product

Low productivity meant the export of industrial products was virtually impossible, thereby aggravating the situation

"In the end it is hardly worth investing in sophisticated machinery for where such machinery is installed it is under-utilised and under-productive

"The situation is a spiralling one and, unless we break this spiral, we will see a situation in which SA slumps lower and lower down the line of the world's manufacturing countries

"The result is that we are inheriting the effects of unemployment in other countries and are effectively on the receiving end of exported unemployment.

"We have reached the situation where our raw materials are shipped to the East and then we have to repurchase manufactured articles at several orders of magnitude of increased value — the added value to our natural heritage is occurring outside the country"

The surplus of unskilled labour should generate resistance to automation because this will only result in fewer jobs being made available

Nevertheless, he cites a recent study of the Carnegie-Mellon University in the US which concludes that robots have the potential to eliminate 2-million jobs in the metalworking industry by 1990

However, the authors of the report claim that half a million jobs will open up because of industrial expansion stemming from the increased use of robots

The Institute for Employment Research at Kalamazoo, Michigan, says that robots in the state will replace three workers for every job they create

Prof Rodd says because of increased automation the current global unemployment situation is likely to continue when the recession is over

In SA the situation is particularly bad as there is an increasingly unskilled population and a decreasing skilled labour force.

"The introduction of robotics and computer integrated manufacturing in general, will undoubtedly lead to a decrease in the available job opportunities"

The structure of the skilled workforce will also change

"Since (automated) factories require less labour, they require less supervision The supervisors needed are usually engineers or technicians"

One of the solutions to the displacement of workers by automation is to shorten the working week. It has declined steadily since the beginning of the Industrial Revolution

FW 23/11/84

members and to conscription means that it no longer supports the policies on which it fought the last election He wants a federal party congress to be called to thrash out the issues

Slabbert, however, points out that it is still party policy that there should be a strong, sound defence force The argument is now over ways of achieving this — possibly through a professional army with volunteer back-up

Slabbert has personally taken over the party's defence portfolio — obviously to avoid association with either the Schwarz wing of the party or with the "old Progs," with whom Schwarz often clashes He is therefore in the best position to effect a compromise and avoid facing the next defence debate at the head of a divided caucus

From the NP point of view, the major point of interest is the reaction of English-speaking voters If they react negatively to either or both of the PFP party changes, most of them will have nowhere to go but to the NP

BUSINESS AND POLITICS

Time to speak out

SA businessmen are increasingly adding their voices to the call for political reform (see *Leaders*) Increasing labour unrest could speed up this process as business finds itself caught between the anger of the black workforce and government obscurantism

Most of the recent political statements by senior businessmen centre on influx control, because it's bad for business But there are those, like Premier Group's Tony Bloom and Anglo American's Gavin Relly, who go further, questioning the morality of apartheid and measures like forced removals and detention without trial (Even the normally cautious councils of Assocom, FCI and the AHI have questioned the detention of trade unionists)

Says Bloom "I have always totally rejected the notion that businessmen should stay out of the political field, in SA business and politics are inextricably interwoven and I believe it is not only the right, but indeed the duty of business to take part in the broader issues of society and contribute in its way to the problems we face as a country

"For heaven's sake, let us not always wait for a crisis to evoke our conscience Let us be prepared to question our policies rationally and without being accused of a lack of patriotism For what is ultimately at stake is not merely the profitability of business or the survival of the system of free enterprise, but possibly the survival of the total SA community "

SA director of the US-SA Leadership Exchange Programme (Ussalep) Mike Sinclair takes it further "It is the opinion of the middle-ground in black urban society that business can no longer exculpate itself from the state of civil violence, business cannot continue to defer all responsibility to government, the drought, the recession and communist agitators The reluctance of the private sector to grasp the political nettle in addressing the "real" causes of black civil unrest (as perceived by blacks) is taken as confirmation of the widely propagated perception of complicity between capital and state

"Indeed, there is a growing belief, limited not only to black opinion, that the private sector, ascribing the destabilisation of the business environment to reform, may more effectively inhibit the progress of reform than the right wing It is alleged that the private sector has only lobbied for limited political change when it is in the interests of continued economic growth to do so, influx control being the current example "

This is what some leading businessmen have been saying

LTA chairman Zac de Beer "Influx control in SA is discriminatory and offensive to human dignity It negates the basic principles of free enterprise and interferes with economic progress It obscures the facts that are essential to proper planning Moreover, it is a spectacular failure here, as it is elsewhere "

Anglovaal chairman Basil Hersov "Urbanisation is an inevitable and irreversible process, requiring carefully considered initiatives rather than futile and expensive attempts to counter its progress It cannot be emphasised too strongly that the current concentration on only one element, namely the control over the movements of people, remains a politically facile and dangerous response "

Toyota chairman Albert Wessels "Urbanisation is not an evil, and it is not a problem either The problem is that the cities are not equipped to accommodate black urbanisation The solution is therefore, not influx control, but the quicker development of new cities "

Overwhelming case

Former Nasionale Pers MD Dawid de Villiers "An overwhelming case seems to be building up for a fundamental rethink, with a view possibly to the phasing out of influx control and the substitution for it of better balanced policies for coping with the inevitable processes of urbanisation "

Tongaat-Hulett chairman Chris Saunders "Business must not adhere to outdated and outmoded social and racial practices thereby impeding reform and slowing down the momentum of change which has been created by the PM and his government'

Johannesburg CBD Association chairman Nigel Mandy "Influx control has not worked The pass laws do not penalise blacks only Like other apartheid measures they debase the whites and diminish their economic freedom as well The policy of apartheid must be fallacious if it has not succeeded despite the application of so much legislation, ingenuity, expense and intimidation "

Concludes Mike Sinclair "An economic system which historically has denied the majority of participants a share of the opportunities which are assumed to be inherent in the system, cannot hope to survive unless that system itself is instrumental in effecting a redistribution of power, opportunity and wealth "

ANGOLA

Ministers to meet

FM 23/11/84

SA and Angola have agreed to meet soon at ministerial level to finalise the withdrawal of the last SA troops from Angola and decide on a more permanent peace-keeping body to "ensure peace and stability" once the Joint Monitoring Commission (JMC) has withdrawn to the Angola/Namibia border

Meanwhile, US Assistant Secretary of State for Africa Chester Crocker continued his tour of southern Africa to brief heads of state on the latest Angolan/Namibian developments Crocker embarked on his odyssey after receiving SA's reply to Angola's proposals for a Cuban withdrawal It is expected that he will formally relay the reply to the Angolans in the next fortnight

At a JMC meeting at N'Giva in Angola this week, SA Army chief Jannie Geldenhuys and Angolan Chief of Staff Ngongo Monteiro agreed to advise their governments that a ministerial meeting was necessary to take the final decisions on the

SASOL'S COURT WIN

Any court case that lasts 96 court days, involves three silks and four junior counsel, concerns untold millions of rands, and in which the defendants are two major government-controlled operations and an honorary consul should be a major *cause célèbre* Not in SA where the case of Maurice Sellier, Ezra Nonoo and Trade and Technology (Holdings) *versus* Sasol Operations Pty, the Strategic Fuel Fund and Helge Storch-Nielsen was decided this week

Sasol and its co-defendants were being sued (in camera) for huge but undisclosed sums of money — so much money that there was light-hearted speculation that if Sasol had lost government would have had to increase gst by a couple of points in order to keep the corporation solvent

Not to worry though Judge Melamed found for the defendants (with costs) He is expected to give his reasons later — and to order that, like the record of the entire case, they should be kept secret

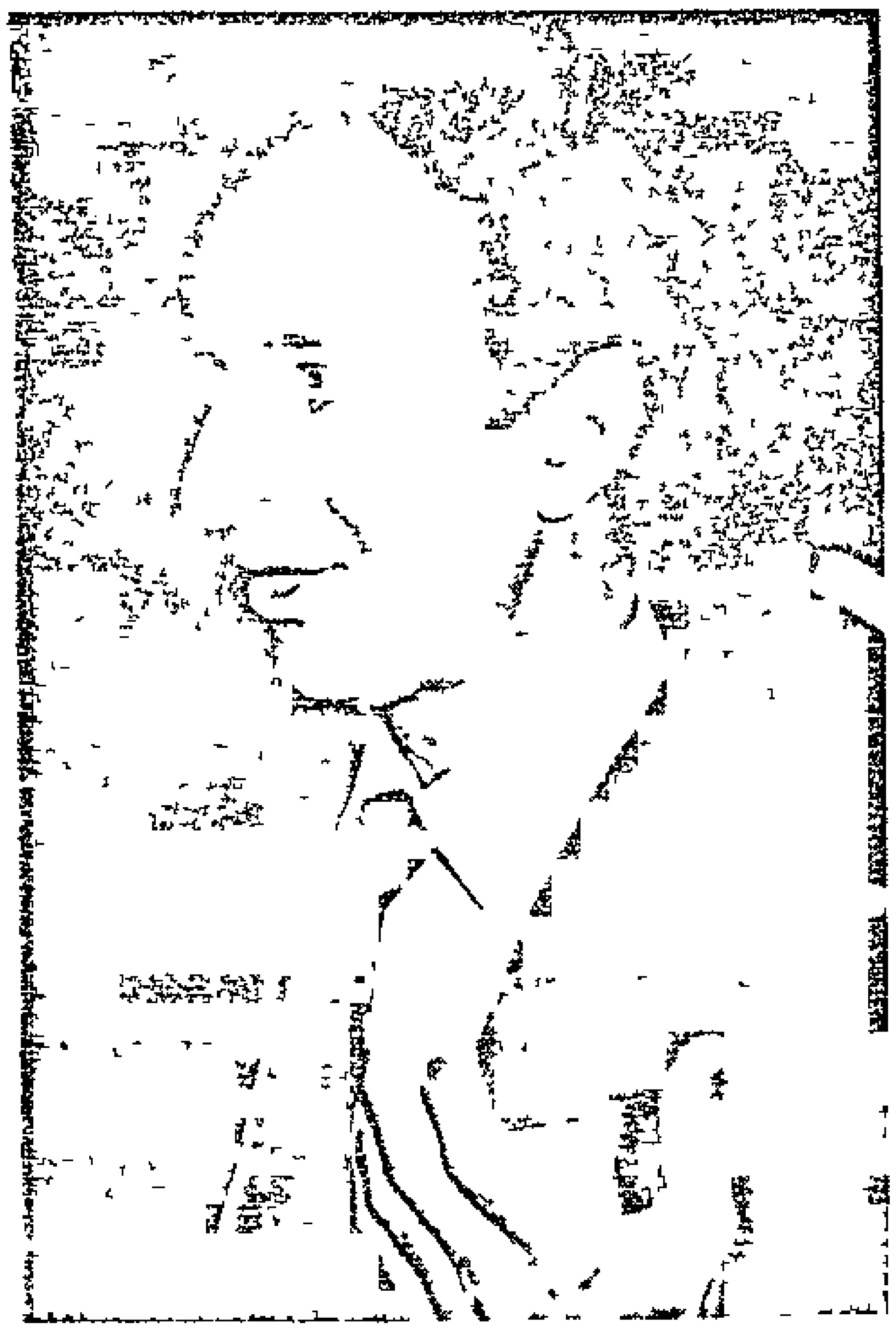
As yet, there is no evidence of a reduction in money supply growth The money market shortage still stands at around R1,5 billion, which, in terms of the situation when prime was at its previous low, is extremely high and must be seen as a strong factor in the question of whether interest rates will, or will not, be pushed up yet again.

Also January and February are seasonally tight in the money market, with the shortage generally widening

SA is still running a substantial deficit on the balance of payments and an inflation rate three times that of its leading trading partners. There has been a deterioration in the external and internal position of the SA economy through forces beyond the government's control

"We have no choice but to adjust to these circumstances and there seems to be a reluctance on the part of everyone to do so," says Bethlehem

This, he says, has been compounded by a further illusion perpetuated by a declining rand exchange rate which has cushioned



Anglo's Dickman .. still a painful adjustment

many, especially exporters, from the real need to make adjustments

Also, because insufficient adjustments have been made by the public sector, the private sector has been forced to carry a disproportionate load, which has only deepened the recession

Another disturbing trend has been a cutback in capital expenditure in the public sector to finance an increase in current expenditure which has damaging implications for the long term An inadequate infrastructure will either cut short a return to economic growth or rekindle inflation The policy is short-sighted in the extreme.

Yet Pretoria refuses to face up to the pressing and real economic problems that are eroding the productive capacity of the economy Instead, it prefers to tilt at minority extremists at the expense of a return to general prosperity. National priorities are being sacrificed to marginal party gains What hope is there in these circumstances, and with this attitude of mind, for wider and pressing economic and political reforms?

BUSINESS AND POLITICS

A duty to speak out

(18)

The increased willingness of leading businessmen to speak out on matters of social and political import is welcome. While the immediate response from government has been aggrieved, the current administration is likely to prove far more responsive to such submissions than any of its predecessors.

Assocom is wise to have chosen a high-powered delegation for its meeting with Law and Order Minister Louis le Grange on Wednesday this week The Minister has already reacted with intemperate anger to business criticism of trade union detentions and has accused organised business of abusing the names of their organisations

One suspects that the decision to see Assocom, the Federated Chamber of Industries (FCI) and the Afrikaanse Handelsinstituut (AHI) separately (although they issued a joint statement) springs from a policy of divide and rule If one body can be persuaded to soften its stance, the credibility of all will be weakened.

This must not happen At the Carlton and Good Hope conferences, government itself invited business to take a wider hand in advising it on the administration of the country and on the likely effect of its policies

Yet when business takes Pretoria at its word — in an area where its interests are vitally affected — it is greeted with expressions of "shock and sadness" and suggestions that it acted without the backing of members.

But on this issue business cannot remotely be accused of moving beyond its specific interests. It warned that the detention of trade union leaders put harmonious relations between employers and a large section of the workforce at risk

The three organisations receive constant feedback from their members, and they are in the correct position to know that the detentions "are exacerbating a very delicate labour situation."

Business, of course, has a problem in maintaining relations with both government and its own workforce It admitted as much to government when the organisations told Le Grange that their statement was at least partly made to maintain their credibility with certain trade unions

To that degree, at least, trade union pressure — particularly on the factory floor, where it tends to be more militant than at union head offices — is having some effect on the public stance of organised business

Yet the spat between Le Grange and organised business, confined as it is to a specific issue, does not tell the full story of the growing willingness of businessmen to involve themselves in political and social matters. Having been invited into the arena by government, they have no intention of quitting it quickly

Indeed, they can argue that there is little in SA's political and social life that does not affect business performance — and is not a fitting subject for business comment and criticism Removals, influx control, education and training, group areas, migrant labour, separate business areas, public transport, military call-ups, government budgets, fiscal and monetary policy, local authority finances, decentralisation, control boards, policing methods — all have an impact on economic performance And it's generally a detrimental one

What is more, businessmen now feel they have a government that is at last prepared to listen to them Gone are the Verwoerdian days when Harry Oppenheimer's usually lonely voice of protest could bring a ministerial threat that requests for labour on Anglo American Corporation mines would be less than sympathetically considered. "We won't discriminate against them (Anglo)," said Blaar Coetzee. "We will just treat them differently" That attitude is a thing of the past.

Business voices are now being heard more loudly and with greater confidence And there is ample reason to believe they are having some effect Indeed, Cape Town University's Hermann Giliomee is on record as saying that he does not believe there will be any real softening in influx control until the corporate voice of management starts demanding it

Giliomee's thesis could soon be put to the test Although the AHI is still dubious about the advantages of relaxing control, other business sectors are calling strongly for in-

Cowley ... 'credibility' of free enterprise at stake

flux laws to be phased out And they are quoting scientific studies to show that the results need not be sociologically disastrous (*FM* September 14)

The list of top businessmen who have made their voices heard in recent days is impressive. It includes Anglo American's Gavin Relly; Premier Group's Tony Bloom, Anglovaal's Basil Hersov; Barlow Rand's Mike Rosholt, ex-Nasionale Pers MD David de Villiers; Barclays Bank's Chris Ball, LTA's Zac de Beer; and the Central Business District Association's Nigel Mandy

Most, although not all, are traditionally liberal businessmen. However, the Urban Foundation, which answers to an ideologically diverse governing body, has undertaken a three-year study and analysis of urbanisation which led to its recent call for the phasing out of influx control. The foundation will shortly brief editors and decision-makers on the results of its work thus far

The recent (fairly successful) two-day stayaway by black workers in the Transvaal showed that businessmen are caught between the growing black challenge to apartheid and government resistance to this challenge According to the SA Institute of Management's executive director, Morris Cowley "Black spokesmen, encouraged by the success of the stayaway, predict that similar tactics will become a common characteristic of the strategy of black resistance to racial political inequality The focus of this action is the perceived alliance between government and business and the lack of credibility of free enterprise' in facilitating a redistribution of power and wealth"

It is that perceived alliance with government that worries many businessmen So the call has been for a complete rethink on black urbanisation and influx control This, of course, is connected to economic growth and the stability of the workforce, and is both a rational and moral requirement of a developing country such as SA

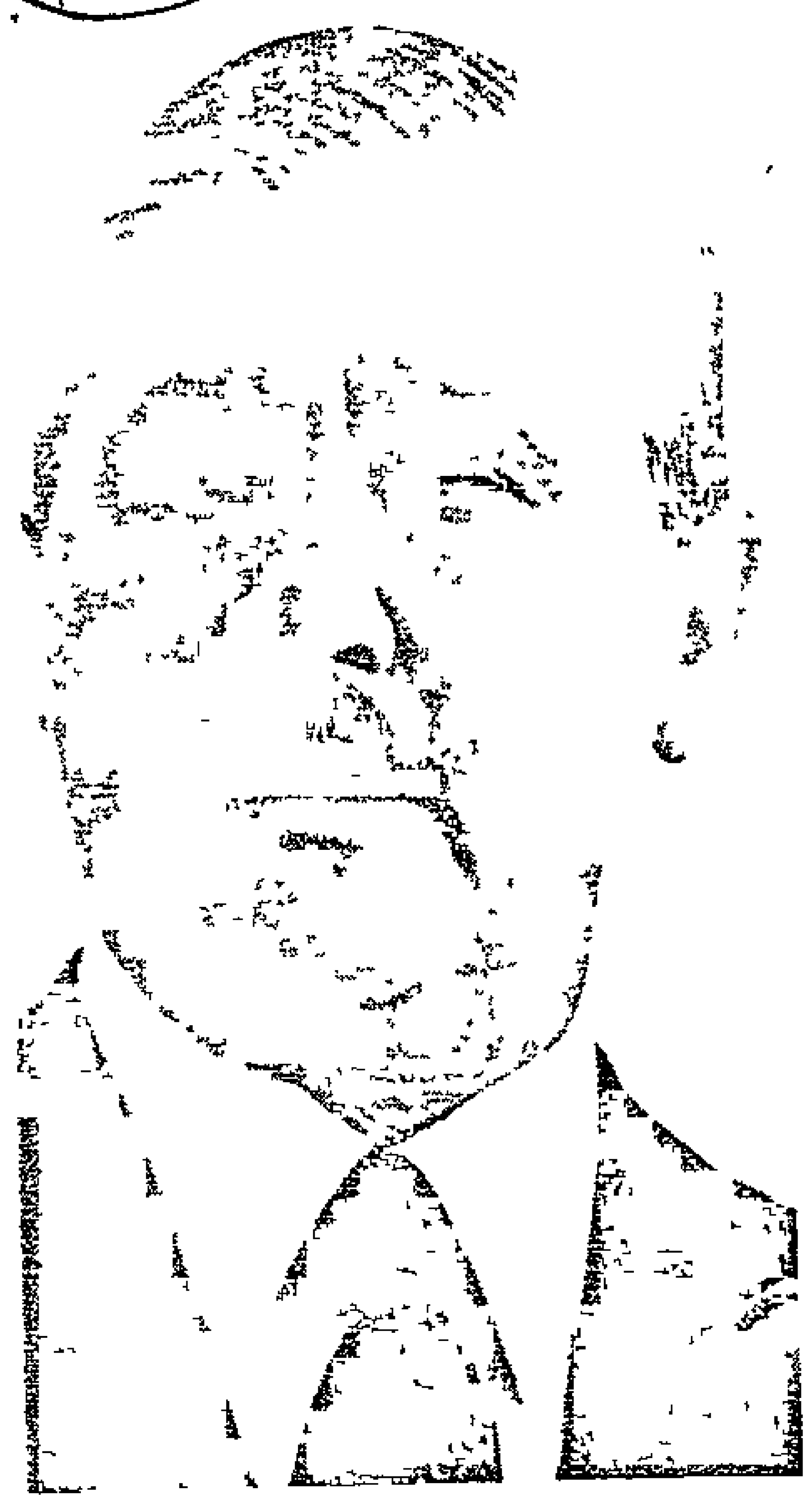
It is important that businessmen are not seen to speak out only on political matters that directly affect production and profitability Not only is it in their long-term interest to fight for a just society; they are also being closely watched by black South Africans, both within the trade unions and out

The private sector is in a strong position to act as a catalyst for real social change — and the present government has shown that it is more sensitive to the views of the private sector than its predecessors

Honesty and integrity

Premier Group chairman Tony Bloom recently told the Wits Business School (*Current affairs* November 16) "Let us not always wait for a crisis to evoke our conscience Let us be prepared to question our policies rationally and without being accused of a lack of patriotism, and disregard the semantics of whether our opinions should be characterised by confrontation or consultation, and let us settle for opinions that are characterised by involvement, by honesty and integrity.

"For what is ultimately at stake is not merely the profitability of business or the survival of the system of free enterprise, but possibly the survival of the total SA community"



Le Grange ... 'shock and sadness' that business should criticise

When Assocom's Michael Weir, Rocky Ridgeway, Bill Yeowart, Howard Russell, Bob Goodwin, Raymond Parsons and Vince Bratt sit down with Le Grange this week their agenda will include "stayaways, intimidation and the role of the trade unionists"

Possibly, Le Grange will be able to show them evidence justifying the tough action taken by government It is to be hoped that they will demonstrate to him the newer face of a community that is concerned not merely with short-term profits and good relations with government, but with the long-term future of SA as a bastion of free enterprise

That, after all, will be the first thing threatened by continued instability which some provocateurs of both the Left and Right would like to see escalate into civil war

Bloom, Hersov, Mandy, De Beer, De Villiers, Rosholt, Relly ... all speaking out

(180)

BARLOW RAND

Looking ahead

Activities: *Mining and industrial group with major interests in coal, food, steel, alloys, heavy equipment, consumer goods, chemicals, packaging, building materials and electrical products Has acquired 95% of UK-listed conglomerate J Bibby & Sons, effective from October 1 1984*
Control *Old Mutual owns 29,2% of the equity and Anglo American a further 6,8% Neither group exercises management control*
Chairman *A M Rosholt, chief operations officer W A M Clewlow*
Capital structure: *150,9m ords of 10c, 375 000 6% cum prefs of R2, and 12,5m prefs of 10c Market capitalisation R1,73 billion*
Share market: *Price 1 150c Yields 6,1% on dividend, 14,8% on earnings, PE ratio, 6,8, cover, 2,4 1983-1984 high, 1 500c, low, 1 015c Trading volume last quarter, 2,6m shares*
Financial *Year to September 30*

	'81	'82	'83	'84
Debt				
Short-term (Rm)	281	468	594	639
Long-term (Rm)	441	794	656	832,2
Debt equity ratio	0,38	0 48	0,42	0,39
Shareholders interest	0,52	0,49	0 51	0,50

Performance.

	'81	'82	'83	'84
Return on cap (%)	19,1	15,1	14,6	13,2
Turnover (R billion)	4,6	6,5	7,8	10,0
Pre-int profit (Rm)	704	804	855	1 002
Pre-int margin (%)	14 2	10,8	10 1	10 0
Taxed profit (Rm)	420,6	415,3	439,2	524,4
Earnings (c)	204	175	166	169,9
Dividends (c)	70	70	70	70
Net worth (c)	918	1 094	1 149	1 333

It takes time for a corporate animal as large as Barlow Rand to put major strategic moves into place Equally, it is often far longer before such moves show results Long-range designs are, however, no less important than decisions intended to improve short-term results, and a lot of the group's recent reshuffles and deals should be seen in that light.

The most dramatic was the acquisition of a 95% stake in UK-listed J Bibby & Sons, a ranking conglomerate which is to be Barlow's springboard for overseas expansion The R554m deal was funded partly by issue of Barlow shares and will reduce 1985 eps by 7% It is a large, high-quality investment that significantly changes the earnings base, although Bibby is in many respects similar to Barlow To some extent, the risk profile has been changed, but with the SA and UK economies usually running contra-cyclically, the risk is probably better rather than worse.

Barlow's Rosholt ... long-range designs

Among other changes the building materials division was enlarged by the acquisition of the listed Blaikie-Johnstone, which was merged with Barlow's existing interests such as Federated Timbers, and renamed Federated Blaikie Another new JSE company, Robor Industrial Holdings, was established by consolidating the steel processing interests of Metal Box SA — which Barlow acquired in 1983 — with those already owned by Barlow In packaging, Nampak and Metal Box have been restructured into two more powerful forces

The new high-technology vehicle, Reunert, is steadily establishing itself It has carried out numerous acquisitions in specialised activities, such as its 25% interest in African Telephone Cables (ATC), is currently involved in talks with the Metkor group with a view to disposing of certain incompatible interests and last week announced a R62,5m deal to acquire, through associate General Electric SA, a 50% stake in Telephone Manufacturers of SA

Taken together, these deals have the potential to stiffen the medium-to-long-term earnings base enormously. At the same time, management has been deeply involved in nurturing organic growth The group has capital expansion programmes on hand amounting to R717,4m, compared with R625m last year

Current projects include the mining division's Khutala colliery, PPC's R300m clinker plant at Dwaalboom in the northern Transvaal to be commissioned in 1986, a modernisation at Romatex's Berg River Textiles, Nampak's R32m, 16 000 t/year high-speed tissue wadding machine at the Bellville paper mill and a second R50m glass furnace being built by Metal Box.

Despite carrying interest-bearing debt of more than R1,5 billion (R1,3 billion) at year-end, the group's balance sheet is as strong as ever The debt-equity ratio actually fell to 0,39 from the previous year's already comfortable 0,42

While these investments are important for future growth, they are unlikely to be much help in the short-term The group outshone many companies on the JSE in the past 12 months by increasing its eps 2,4% and holding its dividend But at this stage there is little prospect of any significant improvement in earnings or dividend this year

The 1984 figures were achieved with help from a few strong showings, particularly that of PPC which lifted its attributable taxed profit by 24% to R29,2m and the turnaround in Middelburg Steel which broke even after losing R14,9m in 1983 There was also a lot of help from management's programmes to reduce costs and increase efficiencies at operating level

BARLOW RAND'S DIVISIONS

	Turnover Rm		Operating profit	
	'83	'84	'83	'84
Mining	467,9	514,7	133,5	107,9
Cement and lime	289,7	348,7	81,5	99,8
Ferro-alloys and stainless steel	169 6	240,0	(20,8)	(1,8)
Electronics and engineering	866,0	968,3	48,8	(43,6)
Earthmoving equipment motor and appliances	1 014,2	1 371,2	26,6	68,4
Building materials steel and paint	959 9	1 456,4	67 9	74,9
C G Smith — Foods	3 027 1	3 279,2	167,6	169,9
Carpets and textiles	368,5	460,6	29,0	35,1
Packaging and paper	706 1	1 315,4	106 4	132,8
Group services	34 3	46 1	2,5	(33,6)
Total	7 903 3	10 000,6	643,0	697,0

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throughout the group

However, there must be limited scope to get further mileage out of these programmes Barlow, with its spread of activities, broadly reflects the economy And, says chairman Mike Rosholt "With the stringent financial and monetary policies now being implemented by government, trading conditions will undoubtedly be extremely difficult in the year ahead As it is not possible to predict when the government will be in a position to relax these policies, our aim in the coming year can only be to maintain this year's earnings"

Even so there may be some good profit advances Middelburg could do very well for example But on the whole, margins are under great pressure Even Reunert chairman Derek Cooper, in the normally highly profitable high-technology field, is wary "The outlook for 1985 is viewed with caution," he says "Profits should, however, be maintained at the 1984 level"

At present the outlook is for a dividend of 70c for the fifth year in a row At 1 150c, this yields a prospective 6,1%, which is hardly attractive *Andrew McNulty*

FED-BLAIKIE
New structure

Activities. *Building material supplier*
Control The ultimate holding company is Barlow Rand which holds an effective 93,6% of the equity
Chairman. *J Maree, managing director. D S Howie*
Capital structure: *2,5m ords of 50c, 100 000 5,5% red cum prefs of R2 Market capitalisation R87,5m*
Share market· *Price 350c Yields 6,0% on dividend, 16,1% on earnings, PE ratio, 6,2, cover, 2,7. 1983-1984 high, 575c, low, 275c Trading volume last quarter, 11 000 shares*

Hunt Leuchars & Hepburn's (HLH) sale of its building material, steel merchandising and export interests to Barlow Rand for R96m cash late last year significantly changed Federated-Blaikie's group structure for the second consecutive year

In financial 1983, HLH merged its building operations with Blaikie-Johnstone and, since the sale to Barlow, Federated Timbers has been injected into Fed-Blaikie While turnover has increased significantly, this failed to enhance profitability, due to high interest rates and poor trading conditions in the building sector When the company acquired Fed Timbers, it issued 15m new shares to Barlow as payment Barlow now holds 95% of the group's ordinary shares through wholly-owned subsidiary W F Johnstone

During last financial year, Fed-Blaikie also acquired the entire share capital of Machined Timbers (Empangeni) and Eastern Transvaal Timbers, in addition to an 80% stake in Bailey's Furniture Manufacturers And in October, Rand Mines Properties (RMP) sold to the group its entire holding of Thesen, which processes timber Management has combined all manufacturing activities into one division, while building material subsidiaries have been grouped into geographical regions

Financial *Year to September 30*

	*'81	‡'82	†'83	#'84F
Debt				
Short-term (Rm)	10,2	10,4	0,3	5,4
Long-term (Rm)	1,2	1,2	0 6	22,2
Debt equity ratio	0 51	0 48	0 03	0 23
Shareholders interest	0 50	0,52	0,66	0,46
Int & leasing cover	12 8	6,0	2 7	2,3
Debt cover	0 48	0 30	9 24	0,76

Performance.

	'81	'82	'83	'84
Return on cap (%)	19 4**	19 2**	14 1**	12 0
Turnover (Rm)	80	65	252	654
Pre-int profit (Rm)	8 9	6 0	13,8	33,9
Pre-int margin (%)	11 1	9 2	5,5	5 2
Taxed profit (Rm)	4 8	3,0	6,3	13,4
Earnings (c)	47,8	29,6	63,2	56 4
Dividends (c)	20	14	32	21
Net worth (c)	218	247	428	478

* Year to June
‡ 8 months ended February
† 18 months ended August
\# 13 months
** Annualised
\# Fifo

It is difficult, if not impossible, for shareholders to draw a realistic picture of the group's recent performance Because Fed-Blaikie has become a subsidiary of Barlow, its accounting period has been changed for

Fed-Blaikie's Maree ... building a giant

the third consecutive year

To complicate matters further, Fed-Blaikie switched to fifo for the 13 months to end-September. By restating 1983 results due to the accounting adjustment, eps, for the 18 months to end-August increase to 85,1c On an annualised basis, this works out to 56,7c, which is roughly equal to the most recent year's performance

MD Doug Howie says that results were hurt by "reduced activity in the building industry which put increased pressure on margins" Bailey's Furniture was the only recent acquisition to lose money Copcal Holdings, formed in 1980 with a Swiss partner, also made a loss and Fed-Blaikie disposed of its 76% interest in the copper capillary manufacturer

Fed-Blaikie's manufacturing operations performed satisfactorily Trading activities which include building materials, tools and hardware, were hurt by higher interest rates which slowed consumer demand in the second half Management expects lower volumes to continue this year and steps have been taken to reduce stocks and expenses to accommodate lower demand

Borrowings rose substantially, but significantly larger shareholders' interest kept the debt equity ratio at a relatively safe level Nevertheless, interest payments more than doubled, rising by R5m to R8,1m

At 350c, the share yields 5,5%, in line with quality blue-chip building and construction stocks, PP Cement and Anglo Alpha With Fed-Blaikie's acquisitions of quality assets, and the group's powerful presence in its main markets, long-term prospects have been enhanced, but the share seems fairly priced at present Earnings are probably set to deteriorate before they improve *Stephen Richter*

GENERAL OPTICAL
Frosty view

Activities *Manufactures and sells optical goods, pharmaceuticals, film products and related equipment*
Control The directors have control
Chairman: *A E Abrahamson, deputy chairman V G Mansell*
Capital structure. *1,1m ords of 50c Market capitalisation R3,0m*
Share market *Price 270c Yields 6,6% on dividend, 19,2% on earnings, PE ratio, 5,2, cover, 2,9 1983-1984 high, 500c, low, 250c Trading volume last quarter, 2 100 shares*

Genopt continues to dominate the optical goods market, and last year achieved record sales Even so, the company's profits are falling in the wake of spiralling operating costs

Its margins are being squeezed by the rising cost of imported optical products, aggravated by the weakening rand Uncovered foreign debt cost the company

(180)

BUSINESS AND GOVERNMENT

Mr Botha's mutineers

The heady prospects held out at the Carlton and Good Hope conferences have come to little. Now organised business is on the verge of mutiny — and letting government know exactly how it feels on the pace and urgency of reform

Not in modern times in this country have businessmen been so united in their condemnation of government and its social and economic policies Nor has government itself been so dependent on the support and investment of the business community or needed it so much at the polls

It is quite clear now from the historic memorandum of last week from six employer bodies that the accords of the past have fallen flat. Economically, businessmen are being taxed into revolt and swamped by a bloated public sector Politically, their footsy-footsy with P W Botha has led them up the garden path Government has too often said one thing and done precisely the opposite

Business's united front means that no longer can P W Botha send businessmen around the fleet for a lashing if he does not like what they do or say No longer can he play John Vorster's Captain Bligh to Lens Wassenaar's Mr Christian

Nor last week was it the Rand Lords or Big Business that spoke out. It was not those whom the Nats delight in calling the Hoggenheimers that told government it must get down to real political and economic reform In their midst were the grassroots businessmen of the Afrikaans community from the Handelsinstituut (AHI)

FCI's Van Zyl ... private enterprise must be defended

These national employers' organisations — ranging from the usually government-supporting AHI to the black Nafcoc — have never before combined forces on a statement of this nature Never before have the private sector's demands on national issues been articulated quite like this or been as overtly political

The memorandum spells out what business perceives as going wrong with the management of the economy — including its political dimension of control There is an almost total repudiation of *fundamental* government policies "In the national interest they (the six organisations) are committed to an ongoing programme of legislative reform to give effect to the following goals

☐ Meaningful political participation for blacks,
☐ Full participation in a private enterprise economy for all South Africans regardless of race, colour, sex or creed,
☐ The development of a free and independent trade union movement,
☐ The administration of justice as safeguarded by the courts, and
☐ An end to the forced removal of people "

It is important to remember that this is the response to current conditions not of any organisation of the Left, but by concerned and moderate men comprising the most productive sector of the economy It is nothing less than a challenge to government to change its ways before it draws down on SA universal odium, sanctions and disinvestment It conveys a sense of urgency

One of the architects of the manifesto tells the *FM* that it was drawn up quickly Given more time, there would have been a closer focus on specific issues for remedy — the abolition of influx control and the pass laws, for example As it is, the spirit of the document conveys as much

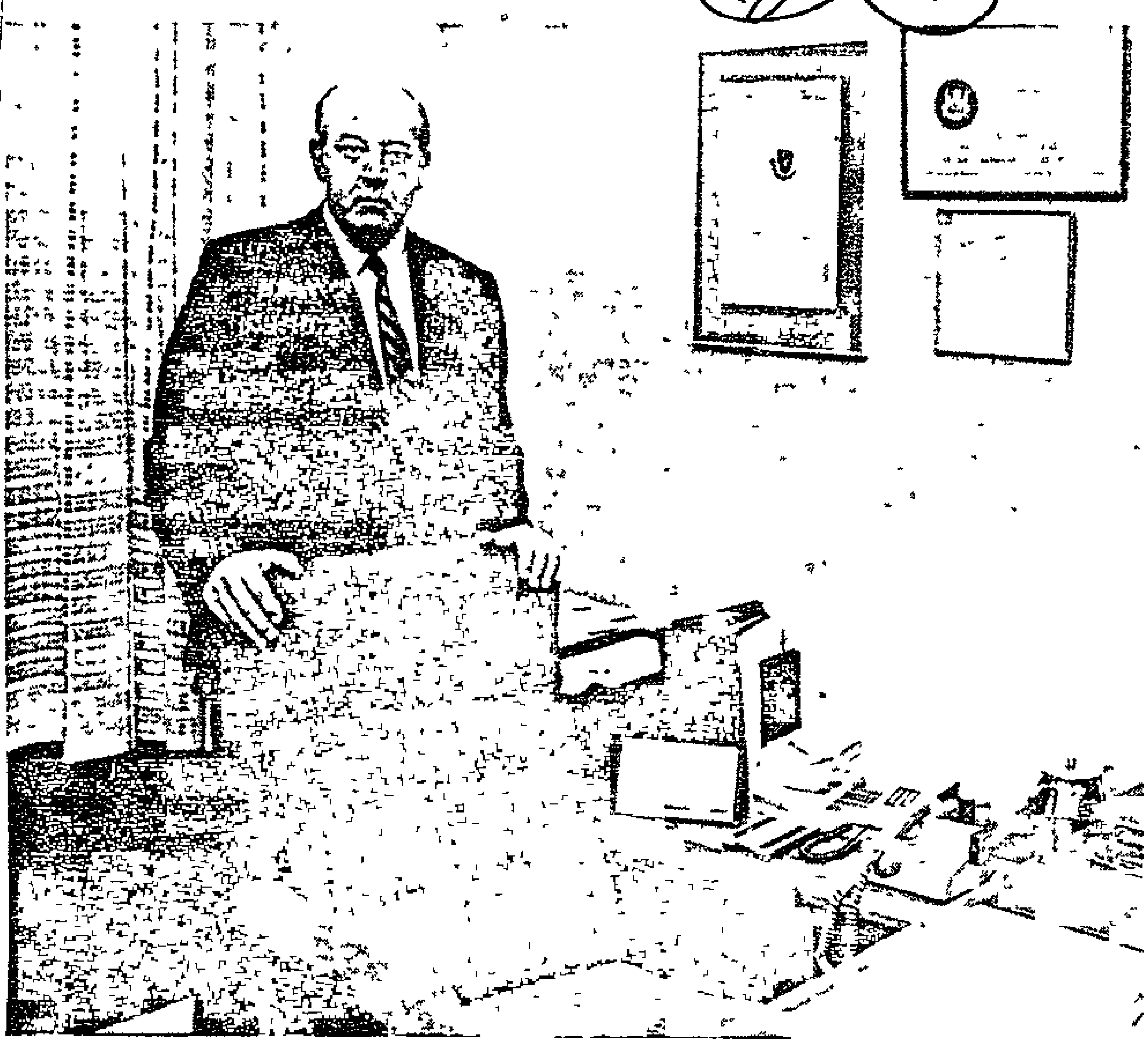
The role of the AHI needs careful consideration Since the split in the National Party (NP), government's support base has shifted to Afrikaners in the urban middle class and upper middle class — businessmen and professional people Ideologically, most Afrikaner businessmen are probably still with the party; but necessity and government's crude and authoritarian way of executing policy is forcing them to speak out and criticise

The first attempt at a concerted show of force involving the AHI was an unhappy one When the body joined in criticism of government for detaining labour leaders after last November's stayaway, Law and Order Minister Louis le Grange waded in and the AHI retreated A senior Afrikaans businessman tells the *FM* that the incident "was an unfortunate one for all " He believes "it will not be allowed to happen again " The AHI, in other words, appears to be defining its role as a representative business body rather than as an Afrikaner institution

AHI president Leon Bartell tells the *FM* that the "ethnic factor" is irrelevant In issuing the memorandum, "we acted as businessmen and South Africans, not only as Afrikaners I think our memorandum was a beautiful effort for SA The situation is too serious to have room for pettiness " He believes that most AHI members will support the document — and, "what is more, I think

AHI's Bartell ... the 'ethnic factor' is irrelevant

180 F.M. 18/1/85



Assocom's Yeowart ... will quiet diplomacy be enough?

government will agree with most of it"

Bartell, with some caution, told the *FM* that business's communication lines with government are "good, with some room for improvement" He declined to discuss the Le Grange episode Asked if businessmen are getting impatient with government, he had this to say "There is no substantial impatience, but there is a feeling that there should be new thinking on things liked forced removals"

According to the Federated Chamber of Industries' Johan van Zyl "Businessmen are realising more and more that it is up to them to defend the system of private enterprise. For that you need political stability We have no choice over whether we want to change or not — the only question is if it is going to be violent or peaceful change

"At this rate we are heading for violent change, and private enterprise will not survive that So it is in the businessman's own interest to work for real change

"Businessmen are getting very impatient with government Totally unnecessary things like forced removals are doing us a lot of damage They are only aiding those who want steps like US-disinvestment That is why we are going to step up our lobbying through our organisations, and we will probably see far more co-operation between the six than in the past Things have to start happening if we want to survive"

However, Van Zyl cautions against any confrontation between business and government Protests or suggestions "must be relatively low-key to be effective This government does not like to be addressed through the media — and they make the rules in this game We are looking for results, not headlines We must enter into dialogue with government and make the dialogue already taking place more effective I am not only talking about Cabinet ministers, sometimes it is more effective to talk to directors-general of departments"

Assocom's past president Bill Yeowart says "We will use quiet diplomacy for now, but we will have to see how far it gets us There is a very considerable degree of unhappiness among businessmen about certain political matters, about government management and overspending I accept government's *bona fides* that they want to consult us, but we want meaningful consultation — not to be told something is going to happen and then to have to pick up the pieces afterwards Government will have to get its act together"

Yeowart admits that to some extent the memorandum to Kennedy was a "pre-emptive strike" against disinvestment But the feelings that led to the statement had been building up for some time

Organised business is in effect saying that it is tired of footing the bill for a government that cannot control its own finances, and is engaged in massively inflationary experiments in social engineering which require equally massive bureaucracies to police It is also a government that seeks to buy elections through inflation and when the cost has to be met introduces such inequitable measures as the fringe benefits taxes, meanwhile cosseting its favoured civil service from the blow

If the P W Botha administration's idea of the business-government relationship was that business should flourish through limited free enterprise in order to fund State socialism, it has got it wrong The path to wealth creation lies through the relaxation of controls — and that means less government, less taxation, and less hurtful and ultimately damaging social control

Business is quite determined to make its voice heard The presence of Senator Ted Kennedy last week was no more than a convenient catalyst Business was talking less to him than to Pretoria

If P W Botha does not want a serious mutiny on his hands — an entrenchment of tax avoision and attrition at the polls — he will have to listen to reason Make no mistake, his back is against the mast

300 new jobs at Pepkor

Cape Times 14/2/85

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Staff Reporter

AT LEAST one South African employer is managing to buck the retrenchment trend that is sweeping jobs out of every sector as a result of current economic conditions in South Africa

Pepkor Limited, the Cape-based retail and manufacturing group, announced last week it had created about 300 new jobs in December and January to cope with its expansion programme

The group, which includes Pep Stores, Shoprite, Ackermans and House of Monatic, employs a total workforce of 16 500

In a statement issued by the company, the group chairman, Mr Christo Wiese, said the positions of all staff were secure and was hopeful this situation would endure through the rest of 1985

The creation of new jobs has come about as a result of the group's retail development programme and the expansion of its manufacturing network

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A Business Day
Special Report

Alrode

A RAND DAILY MAIL PUBLICATION

Johannesburg, Thursday, February 21, 1985

From farms to factories

Only the Govt can stop Alrode's growth now

ESTABLISHED just over 30 years ago on what was then farmland, Alrode Industrial Township just cannot seem to stop growing.

Already over 500 companies are situated there, and there are plans to offer another thousand sites in the near future.

The only threat to Alrode's continued growth, it seems, is the Government's decentralisation plans, intended to attract industries to South Africa's farther-flung regions

However, the attractions of these regions will have to be powerful indeed to overcome Alrode's obvious advantages

Part of Alberton, it is within easy reach of the whole of the Witwatersrand and therefore the country's most important consumer market.

Regular trains and nearby freeways give easy access to the East and West Rand; the centre of Johannesburg is only a short drive away; Jan Smuts Airport is 20km away, and Rand Airport only 4km.

In addition, the area is on the main Durban road and rail links, and the Durban-Johannesburg oil pipeline ends on Alrode's doorstep. As an added bonus, the giant City Deep container terminal is just up the road

Despite these geographical advantages, it was some time before Alberton's city fathers woke up to Alrode's potential

Alberton, after all, was a pleasant residential town with a small white population. Others might welcome the hurly-burly of industrial development but they preferred the quiet life

It couldn't last

"For a long time Alberton stood

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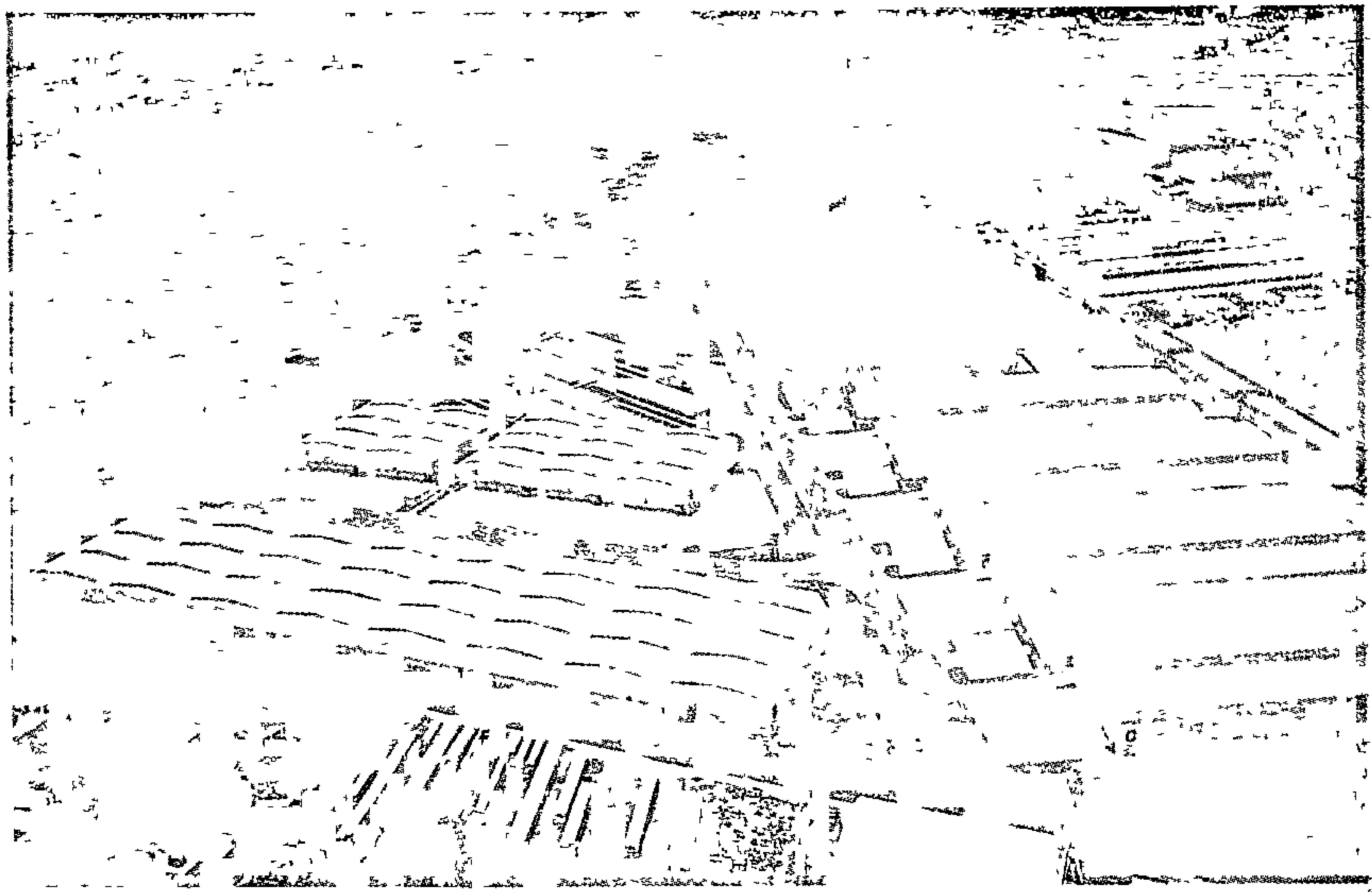


The Alrode Multipark — a new concept in industrial property development. See Back Page.

P. T. O.

Industrial development helped put Alberton on the map

FROM PAGE 1

very still," says Mr John Wellman, Alberton Council's public relations officer "But finally it decided it had to do something to put itself on the map"

That something was industry

Prompted by a number of industrialists, Alrode was established in 1951 on the site of three farms — Roodekop, which became Alrode proper; Rooikop, which produced Alrode Extensions 2 and 4, and Palmietfontein, which spawned Alrode South and Extensions 5, 7 and 9

All three farms were once part of neighbouring Germiston but were cut off by the building of the railway line at the start of the century and transferred to Alberton

Alrode's development as an industrial centre was rapid, to the point where almost every conceivable type of industry is now represented there

With such sustained development, there have obviously been hiccups

Pollution caused some problem in the early days, although council officials insist this has now been overcome and Alrode's air is as clean as it can possibly be

The growing threat of terrorism has also caused some sleepless nights in a development that was, after all, designed before bombings and sabotage became an almost everyday part of South African life

Petrol depots, with some of the biggest tank farms in Southern Africa, are the biggest concern, particularly where they are close to residential areas and main roads

Security is the responsibility of individual companies, backed up by regular civil defence and emergency training offered by Alberton Council

"The response is generally good but there are a few hard-headed firms who don't want to know," says Mr Johann van der Merwe, chairman of the Management Committee

What Alrode has not suffered from yet to any major degree is racial unrest

Alrode's black workers are drawn from the surrounding townships of Katlehong, Tokoza and Eden Park

Because this labour is shared among so many companies it is difficult to achieve concerted union or labour unrest

"Where labour is concerned fragmentation prevents concentrated action," says Mr Wellman "We are lucky We can't complain of unrest"

From a town that once was loth to countenance industrial development, Alberton today does all it can to attract more In this respect the council works in conjunction with the Alberton Industries Association most of whose members are in Alrode

"The council today is very competitive in outlook," says Mr Wellman "If people want to come to Alrode, we try to accommodate them as soon as possible"

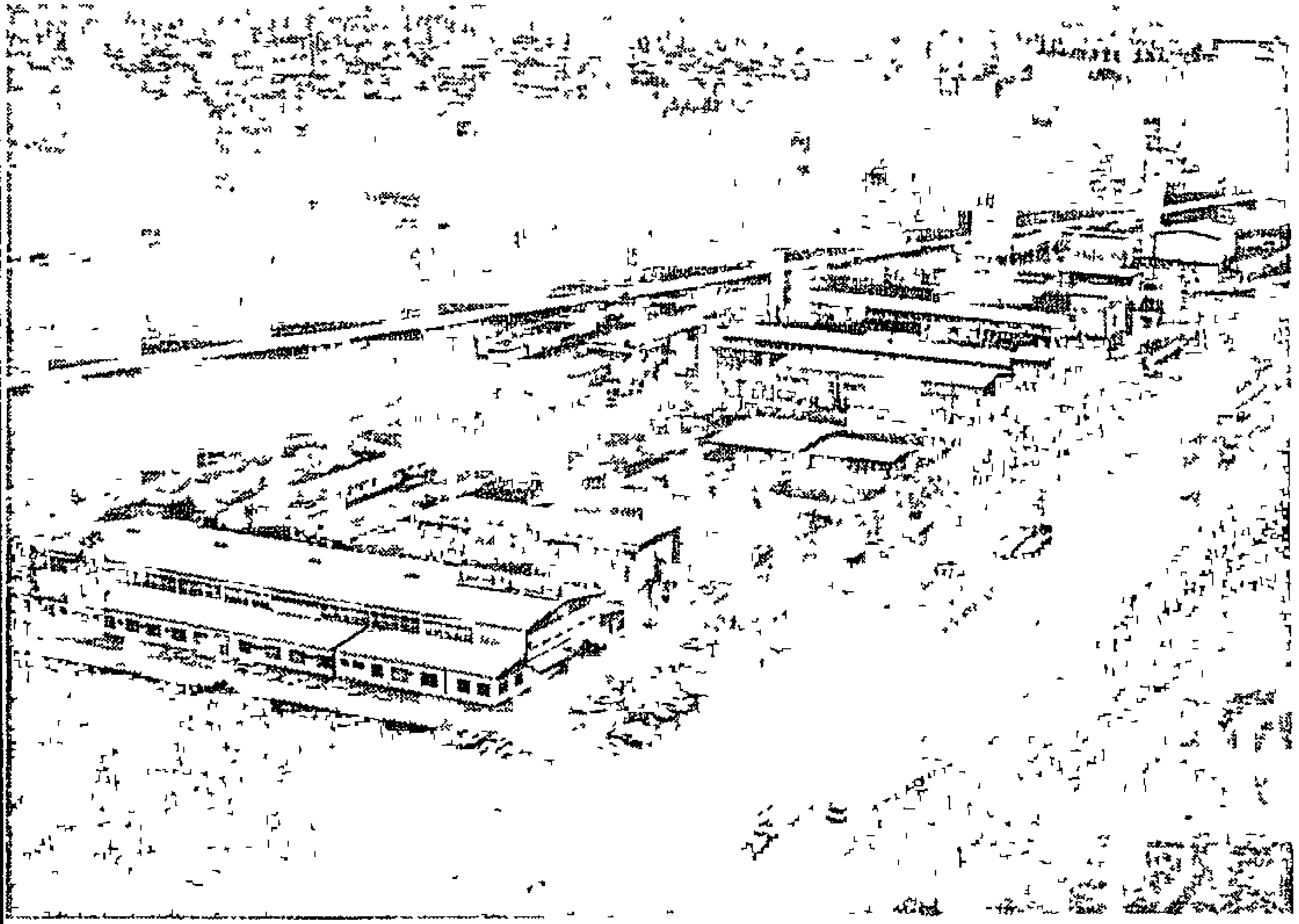
It's not hard to see why With so much industry on the doorstep swelling the town's coffers Alberton claims its citizens enjoy some of the lowest rates in South Africa

As new development moves into Alrode, that situation is likely to continue — Government willing

Alberton already has plans to establish new townships within the Alrode area and another 1 050 stands are in line for development

But there are fears that these plans could be scuppered if the Government, in insisting on decentralisation, discourages further Alrode development

"It's a possibility," says Mr Van der Merwe "We'll just have to wait and see"



An aerial view of the Fedgas plant shows the new air separation plant at the rear. See Page 7.

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THE ENTREPRENEURS

Their brilliant careers

It's hard making money If government is not grabbing a big bite out of your pay packet, then inflation, interest rates, the wife's expensive tastes and your own indulgences are The costs of setting up and running a factory are no joke either Risk-taking has become expensive, and with overheads what they are today, maybe it's easier to sit back and take life as it comes

So what motivates an entrepreneur to make money? Myriad reasons might provide the answer the desire to own a business, to possess money, to enjoy social cachet, to lead a high life But whatever it is that makes an entrepreneur tick, society's general level of wealth, living standards, jobs, technology and even political freedom can only benefit from his endeavours

"Entrepreneurs start out with a clear vision of what they want, but it's wrong to think that they know what they will ultimately achieve." — **Albert Wessels**

Adam Smith, that great admirer of individualism, had this to say on the topic "The natural effort of every individual to better his own condition is so powerful a principle that it is not only capable of carrying the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws encumbers society's operations"

Still, entrepreneurs who have reached ~~the top, view the race in gritty,~~ back-breaking terms "There's no short cut, no damn short cut," says SA's Mister Technology, Altech's Bill Venter "It's a tough, hard slog, which takes its toll on family and health Unless you've got an ideal, a vision, you've got no hope of coming through"

Allied to vision must be a keen sense of the practical and the bottom line Notes SA's motor king, Toyota chairman Albert Wessels "You don't start with 10 cars and think about producing 10 000/month You think about 20 and, when you make 20, you think about 40 Entrepreneurs start out with a clear vision of what they want, but it's wrong to think that they know what they will ultimately achieve"

Of course, it is hard to relate practical skill to an elusive vision England's King Henry VII was a fabulously able budget-cutter, creating the largest public-sector surplus in his country's history But he refused to stump up the capital to finance Christopher Columbus's voyage into the unknown So England lost the New World's countless riches and, as a postscript, had to fight the Falklands War against Spanish-speaking aggressors

What makes business winners run? Worldwide, a select group of people will always continue to make money, expand business, forge ahead. They are driven by an unquenchable entrepreneurial spirit The *FM* looks at the way some of our best money-makers have gone about it.

Jan Pickard, of liquor, hotel and rugby fame, best sums up what it takes "I used to think it was luck," he says, "but really it's a nose for your business, and that's something you're born with" Adds Pickard "To be in business, you've got to have a supporting wife" Cynics might say that Pickard gained from the connection with his father-in-law, former Finance Minister and State President-designate Eben Dönges But Pickard argues to the contrary

Getting started is usually the big problem The entrepreneur needs confidence, go-getting qualities and an ability to trust his judgment when others are losing theirs Pickard again "I never knew the answer to gearing when I started, but it means that when I buy R2 of goods, I've got to borrow R4 I said that if I wanted 25% after tax, there would be no borrowings Had I listened to the accountants, I would have had more debt than I could possibly afford"

The going can be tough As Cargo Carriers' Desmond Bolton cryptically observes "If you lose your credibility and reliability, you're gone" But the challenge is there Raconteur Mannie Simchowitz is inspired by a frontier-like approach "It's my business," he says, "and every single day I want to go out there to make money for myself"

Bolton and Venter are entrepreneurs who have taken over companies which once employed them Albert Wessels became chairman of the bank which gave him his first job as a junior clerk But it is his Camelot-like success story with Toyota which has carved his name in the annals of SA business greats Wessels first sold Toyota vehicles here 25 years ago In 1983, turnover reached R864m and earnings a share 1 000c, while returns to shareholders have averaged 90,6%/year in the last five years Toyota's sister company, motor components manufacturer Metair, which the *Sunday Times* judged the top company of the year in 1984, has generated a 96,1% annual average shareholders' return in the last five years

Wessels' personal worth is hard to estimate But of the directors' shareholdings in Toyota, Metair and Wesco (Toyota's holding company), about 65% are held by the Wessels family This portion has a present value of R102m, and that is after the 25% fall in the Toyota share price in the last six months Then there are the family investments in hotels, property, shares and cash With that amount of money, who really cares about the exact total? As Wessels says "If it's R100m, it's R100m I don't know"

His appearance, with his brilliant white hair and slight frame, epitomises the wizened sage "Do you think it is wise," he asked, "to say that Toyota will go for a 30% market share of the SA motor market in the next few years? We intend to get 30%, but should we let our competitors know be-

Toyota's Wessels ... it's your horizons that count

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high-tech market. Its assets were underutilised and this enabled Altech, with tight management controls, top-flight technology and long-term supply contracts (every telephone installed in SA until 1994 will have some content from the Altech group) to tread a path of runaway growth. Altech's turnover was R58m in 1979 and is expected to top R800m in 1985, while earnings a share soared from 71,7c in 1979 to 348,6c in 1984. The Altron group now employs more than 12 000 people and has a market capitalisation of R1 billion.

Venter's personal stake in Ventron, the group holding company, is, he claims, R66,8m or 40,5%. The total family holding amounts to R165,2m. The balance is held by family trust over which Venter claims he has no control.

Venter does not favour discussion of his personal worth. "The shares could become valueless," he observes, "and I'm not in the position to maintain the lifestyle of a jet-setter. I've never had a driver, I don't go overseas for holidays, and only in the last two years have I travelled first-class. I don't anticipate that the group is for sale and it never will be."

"Ambition and drive are contagious things. People are imbued with these qualities. They want to be successful." **— Bill Venter**

Venter talks passionately of technology's uplifting value in terms of jobs created and an improved quality of life. The products of the Eighties will be fibre optics and integrated circuits and in information technology. His philosophy is that of the innovator, and Altech now exports indigenously-made technology: a farm-line phone system that enables 18 simultaneous calls to New Zealand, Mexico and Chile, hybrid micro-circuits to Israel and the possible sale of an alternative digital phone network to a Middle East country.

"I'm totally dedicated to this country and what it stands for," says Venter. "It has given so many people, black and white, fabulous opportunities. We've lived in relative peace compared with other parts of the world, and we can thank the type of government we've had. But we've got to adapt to changing times and I will gladly help, as an influential industrialist, in the movement to a more just socio-economic society."

Venter is an entrepreneur who became big and part of the establishment, but Mannie Simchowitz is one who revels in a swashbuckling reputation. He's seen as having a sharp nose for profit, as being a confident Casanova, a gambler, a tough guy, a man who commands loyalty from his

OLIVER HILL'S LONG RUN

For every entrepreneur who makes it into the headlines, there're thousands who sink without trace. Here's one who sank — though not without trace.

Hanhill's Oliver Hill is forthright about his experiences. "You learn that the world is a big jungle. The cats out there, the establishment, chop you up. Sol Kerzner or Bill Venter went into markets that didn't exist. But I'm one of the unpopular entrepreneurs in this country. The popular ones haven't gone against the establishment."

Still, Hill has a pretty establishment background. The scion of a wealthy family, he read chemistry honours at Wits and capped that with an MBA from Harvard. He could have had his pick of any plum corporate job, but chose instead to set up his own business with John Hahn, a family friend. Hanhill was born in the mid-Sixties.

The first break was to instal an ammonium nitrate plant in Rhodesia. It was the time of UDI and Hanhill did the job for half the normal cost. That didn't stop difficulties in getting the project underway, because of problems with the Governor of the Rhodesian Reserve Bank, who, says Hill, was the victim of uninformed cocktail party gossip over costing the scheme.

"You learn that the world is a big jungle. The cats out there, the establishment, chop you up." — **Oliver Hill**

Hanhill's next feat was to confound sceptics in the major chemical companies by building an ammonium terminal in Lourenco Marques and selling imported ammonia at half SA prices. The SA government banned the import of ammonia allegedly on strategic grounds, but in reality because of pressure from the chemical majors, argues Hill. So Hanhill set up an ammonia plant in Swaziland and when SA suffered an ammonia shortage, the majors had to buy from Hanhill.

Hill sold ammonium nitrate, in competition with AECI, to the Swazi mines. He went into explosives to improve the range of services to them and won the Tovex explosives manufacturing licence for SA from the US conglomerate, Du Pont. Tovex is the 20th Century answer to explosives, just as dynamite was a 19th Century invention, but AECI controls the sale of dynamite and Du Pont was quick to realise that Hill had a stronger interest than AECI in promoting Tovex sales in SA. When Hanhill companies went insolvent last March, Tovex had captured 7% of the SA market and was beginning to challenge AECI's monopoly of SA explosives sales.

Hanhill was felled by a combination of the crippling drought which caused a collapse in ammonia sales, a R20m capex extension to the Swazi ammonium plant, which investment was made, says Hill, on a broken promise by the Swazi government that it would contribute R15m of the cost, and tariff restrictions on raw material imports. The Hanhill shares were 30c at the time of their suspension, having reached a 270c high in the early Eighties. When the share hit its peaks, the Hill and Hahn families' net worth was some R90m — now that the JSE has delisted the share, they are worthless.

Hill says that he is not a bitter man.

He believes there are still avenues in the chemical industry open to innovation by the smaller companies, and he would like to work with AECI in developing explosives technology.

"Fighting the establishment has brought me nothing but problems and now I've got to try and be conciliatory," he says. "After all, why does one go into business? It's an urge to create something."

Who knows, Sasol's emergence as a force in the SA chemical industry might even induce AECI to offer Hill a job. That would be ironic, but it would be in keeping with Hill's deep feelings about monopolies that he would want to take on a megagiant, which he thinks poses an even bigger monopolistic threat than AECI.

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friends.

His offices certainly suggest the plush trappings of prosperity A striking set of figures from Guinea — a headman and his sidekick — takes pride of place in the elegant foyer The visitor might speculate about the choice of such a representation of pride and authority, but that's a side-issue. Simchowitz himself is broad-shouldered and strongly built — with a broad face, well-set eyes and reddish-brown hair He walks authoritatively, his style is breeezy and affable, his comments tinged with humour. Simchowitz knows of his image as a wheeler-dealer and likes to play to it

W & A's Simchowitz . . . humour and sharp edge

Simchowitz can afford to be non-conformist. He's been employed only once in his life, when he did his chartered accountancy articles with Kessel Feinstein, the same firm that gave articles to Donnie Gordon and Louis Shill. "I found accountancy a boring pain in the ass," he says, "so I decided to become a speculator, a one-man merchant bank I got my first commission in March 1963 by buying a listed company, Finn Bros & Laurie, and selling the assets to L J Suzman and the cash shell to Ward Salmon I made R30 000 out of that and went into mining."

Mining was less successful and Simchowitz incurred heavy losses on a manganese venture in the western Transvaal It didn't stop him living the high life, and his confidence was rewarded with his "first killing" in the 1969 stock market boom That was followed by his 1971 takeover of Weil & Ascheim (W & A), an ailing clothing company with R2m shareholders' funds and notching up losses

"We're always prepared to take a profit. We take investment opportunities and develop them." — **Mannie Simchowitz**

Simchowitz built W & A into a diversified group by acquiring floundering companies, and today it has interests in car components and tyre retailing, furniture, textiles, coal, toys, property and medical-aid schemes Simchowitz's holding company, Waicor, controls 10 listed companies on the JSE, the main ones being W & A, Williams Hunt, Bradlows, World Furnishers and General Tire, two in London, Anglo African Finance and E W Perry, and one on the Development Capital Market, Romanda The group's gross assets exceed R400m, turnover is R800m and earnings a share in the year to end-June 1983 were 150c.

To generate a profitable return on his assets, Simchowitz has been a ruthless pruner of dead wood In the process, he's made his fair share of enemies The press have called him an asset-stripper More practically, he's got a phobia about being photographed, for reasons of personal safety

"We're always prepared to take a profit," says Simchowitz, who rebuts his critics' suggestions of unsavoury conduct "We take investment opportunities and develop them Just because the press don't have a clearcut idea of what we do, like selling soap, they call us asset-strippers A company in the US might sell a major division and it's regarded as changing direction, not asset-stripping "

But Simchowitz's main love lies in the raw, cutting edge of the marketplace — where men bargain about money on the stock exchange floor, argue out a deal and live by their wits, knowing that they're only as good as their last coup He talks about the infinite deals he's done with the staccato rapidity of a machine-gunner emptying his rounds Simchowitz has plenty of acumen He cleared a R2,5m profit in a week in late-1981 when he nearly snatched control of Calan investments from a Sanlam-Finansbank consortium

"Calan happened to be one he brought to the fore," explains a close associate "Every year he makes a couple of million in the market, and Calan was a visible target Management was making a bid, so he went for it, but, in retrospect, Simchowitz was happy to bank the money and run; it would have left him too geared to take control "

Simchowitz has taken his disappointments. At present, he's got problems with the recession, which is hitting trading, and market scepticism about the ease with which the Williams Hunt group of companies can be absorbed

Still, Simchowitz is comfortably off, though he dodges the issue of his wealth "I don't estimate my personal worth," he says "I control this group I'm a reflection of this group and we're in it to make a buck. We've got a top-class management with similar philosophy Our strength is our flexibility "

Desmond Bolton's English reserve is in sharp contrast to Simchowitz's brashness and helps explain why one of SA's richest men has attracted scant publicity Bolton is charming and informative about Cargo Carriers, the largest privately-owned road haulage company in SA, which he founded 32 years ago when he was 28

But his public image is well tutored His statements are considered, his insights penetrating, so his guarded public exterior is perhaps attributable to his background For Bolton belongs to that most rare breed — an English-speaking SA Christian who has shone at entrepreneurship His success is the more remarkable, since it was built up against the harassment of transport giant Sats, which has always sought to restrict the private sector's market share

"I've enjoyed what I've done and that's vital." — **Desmond Bolton**

His friends say that Bolton becomes another person at a party, often staying until 4 am Maybe his Irish origins explain his *bonhomie* In true Irish style, he celebrated his marriage last year to PR executive Noelle de Jager — by flying guests on a Boeing 737 to the Chobe game lodge for a weekend extravaganza, capped by the ceremony in a tree-house.

Bolton's presence is imposing A shock of white hair and a healthy suntan are witness to his love of the outdoors. He spends many weeks at his *palazzo* in Plettenberg Bay, but he knows his business inside out and what he wants "I always had a hankering to do my own thing," he says

Bolton first developed an interest in transport when he drove and maintained tanks and trucks in the desert during World War 2 After his demobilisation and a spell at varsity, he bought a third shareholding in Tweedie, a small road haulage firm, where he learnt the ropes before setting up his own business Tweedie later amalgamated with Lyons Transport, which was taken over 13 years later by Bolton, who incorporated it into his own empire

Cargo Carriers' Bolton . . . it started with tanks and trucks

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Bolton notes that the starting years were the worst. To lessen his risk, he concentrated on tendering for contractual work. "Budgeting in transport is vital," he says. "You work to tight margins and you must ensure adequate cash flow to pay for wages, fuel and maintenance. We're not like Raymond Ackerman with 90 days' credit on his canned fruit. We have to pay with alacrity, and by working on a contractual basis we lessen the risks."

Problems arise when the principal supplies incorrect information in the tender document. Bolton was nearly busted two years after he started when a major mining house quoted flagrantly wrong tender details on a contract for moving ore from a mine. The crusher plant's milling capacity was woefully overstated, and Bolton had vehicles standing idle for six hours before they were loaded. He was losing £1 500/month and asked to be excused from the contract. His replacement withdrew in three months. "The going can get rough," Bolton observes. "No quarter is expected and very little is given."

The key to tendering in transport is never to shirk a journey, explains Bolton. "You must have site inspections," he says. "You need to look at loading facilities, the turnround cycle, underfoot conditions, bridge capacities and rainfall charts in order to assess the effect of bad weather. A small section of the road might give trouble, but it's enough to stop the whole operation."

The proof of Bolton's methods lies in his success. Cargo Carriers, its motor subsidiary and Desmond Bolton Industries (formerly Searles Holdings, taken over by Bolton in 1979) today have nearly R250m turnover and employ 5 500 people. Bolton's trucks in the year to end-February will drive about 60m km and carry 12,5 Mt of freight. Profit and net worth are confidential — Cargo Carriers is a private company owned 100% by the Bolton family — but it is a fair bet to put Cargo's worth at R100m. Profit has grown by at least 10% in every year of Cargo's existence, notes Bolton.

Bolton is not keen on listing Cargo, nor in selling to a large corporation — Barlow Rand being the most frequently mentioned. Bolton Industries, however, is publicly listed. A textile manufacturer, it has no connection with the Bolton transport interests. Its 1984 turnover was R56m and pre-tax profit R4,7m. The share yields 3,6% on dividend, a better rating than the 4,3% clothing-sector average. Being chairman of both private and public companies is illuminating, says Bolton, because the need to consult the board makes for more democratic decision-making in the public company. But he feels that Cargo's private profile aids it in winning contracts, and as growth has always been funded from cash flow, there is no need of equity.

What of the future? Bolton's companies are examining the greater use of computers in transport and Bolton is funding a

Liquor and hotel mogul Pickard ... all for team spirit

Wits University road research unit which aims at promoting more efficient transport methods. He also believes strongly that both the country and the transport industry would benefit if government phased out the current road transport system and concentrated on quality control.

"Nothing has changed," observes Bolton, "despite the promises and the Carlton and Good Hope conferences. We have great difficulty in persuading government that the private sector can transport goods more economically. If it is not possible for each sector of Sats to stand on its own, if farmers' produce must be moved at an uneconomic figure, then government should provide a special subsidy for that goods traffic, instead of the existing system of cross-subsidisation."

If Bolton could live his life again, would he look for a less exacting business? "I've enjoyed what I've done," he answers, "and that's vital. Neither would I change my

"I used to think it was luck. But really it's a nose for your business, and that's something you're born with." — **Jan Pickard**

sphere of activity. But if you're prepared to work hard enough, you can make a success of most ventures."

Jan Pickard has always been something of an individualist, and, in common with Bolton, shares the experience of battle against powerful, entrenched interests. As one of Afrikanerdom's blue-eyed boys — Springbok lock forward, marriage to the State President-elect's daughter — Pickard was unusual in going it alone.

He could have made it via the Establishment route, progressing up the ladder of any Afrikaans business conglomerate. Instead, Pickard built his own liquor and meat enterprise and has diversified into white-goods manufacturing, hotels, sportswear and property.

He takes life more easily these days and his son plays a more active role in running the Pickard group. There is talk of Jan junior taking it in a banking direction, but Pickard senior won't comment on this. Cash flow has always been paramount for him, so perhaps he recalls the advice of Polonius to his son Laertes in *Hamlet*: "Neither a borrower nor a lender be, for loan oft loses itself and friend, and borrowing dulls the edge of husbandry."

Critics say that Pickard was still helped by the muscle of his government connections. Pickard's rebuttal is emphatic: "What is it about being a son-in-law of a Minister that's so positive?" he asks. "It was a liability. The bank manager would say to me, 'What about your father-in-law? He'll give to you.' There are 40 Ministers in the government, so where are the other sons-in-laws if it's so easy to make a profit?"

Pickard interrupted his honeymoon back in 1953 to apply for, and obtain, two bottlestore licences in the western Cape. Later he sold to the Western Province Wine Cellars and joined Oude Meester. But the lure of independence was strong and he soon acquired Robertson Distillers and Distributors. By the early Sixties, a cash-flush Pickard was able to expand his liquor interests with a daring JSE raid for 50% of the shares of Oudtshoorn-based Union Wine. He then flew to Oudtshoorn to claim board representation and was promptly installed as MD.

In the late Sixties, Pickard branched into meat retailing. He dreamt of establishing a quoted meat company which could capitalise on the new supermarket techniques. So he acquired 37% of the shares of Unie Vleis and, in the words of the *FM*, "looked around for more meat to fill Unie Vleis's skinny frame." Pickard settled on the Free State-based meat conglomerate Asokor, and won control after a bitter proxy battle.

The *FM* wrote of this drama: "Monday was a cold day in Bloemfontein, though conditions were a good deal warmer in Voortrekker Street's Totius Hall where after four hours of exhausting deliberation, the outcome swung in Mr Jan Pickard's favour. That Mr Pickard has gained this entry into the meat business is undoubtedly due to his having pushed as hard as he ever did in any rugby scrum."

Pickard later took over Unie Vleis when it became insolvent and steadily expanded his meat interests. He sold part of Asokor's interests to Kanhym in 1980 and, at end-1983, redeemed his outstanding interest in Kanhym at 1 440c a share. It must have been one of the best deals Pickard did. He bought Asokor for less than R1m and, in the end, cleared over R60m. Market commentators may think that Gencor was a charlie to pay 1 440c a share, considering that Kanhym's parlous state has marked down the share price to 320c, but Pickard reckons Kanhym has sound long-term potential.

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Of course, there have been mistakes, notably regarding supermarket retailing Pickard turned down the chance to buy Checkers at 65c a share in a vain seven-year attempt to turn round the Jones canning group. And Pickard was one of the founding members of Pick 'n Pay, but got out to develop his bottlestore business. "Had I kept my holdings ." reflects Pickard aloud Anyway, "I said to Raymond, don't develop your own business, buy into one But we're still close friends."

His beloved Bellingham wine estate gives him many happy hours, and these days Pickard has other interests as president of the Western Province Rugby Union and his membership of the President's Council to keep him occupied "Running the Western Province's rugby team for the last three years has been a bigger satisfaction to me than ever making money," he says.

"Team spirit," reflects Pickard, "I believe in a lot of team spirit You can't get to the top unless you have team spirit and loyalty"

Wessels would endorse that He believes the world still offers boundless opportunities to a young entrepreneur keen to make his pile In spite of recession, the world is getting more affluent and specialised, and Wessels thinks one can make money in food, hotels and tourism

Concludes Venter. "Ambition and drive are contagious things People are imbued with these qualities They want to be successful"

Christopher Marchand

Loans by Natal manufacturing firms double

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N.M. 6/5/85

Finance Reporter

LOANS by Natal manufacturing companies have practically doubled between 1983 and 1984 according to a survey released yesterday.

This is one of the staggering findings of a survey of local industry carried out by Deloitte Haskins and Sells Management Consultants (DH+S MC) in Durban.

The survey, which compared the published annual accounts of a sample of 62 Natal-based companies and groups for accounting periods ending during 1983 and 1984, looked at borrowings, interest payments, turnover and profitability

The sample companies had a total capital employed of R1,6bn, ranging from R280 000 to R650m and total sales of R2,6bn, ranging from R140 000 to R470m

Sixty percent of the companies in the sample were in the manufacturing sector, 15 percent in the retail sector, eight percent in shipping and the remainder split between agriculture, construction and the service industry

Although financial analysts have reported on the trend of increased borrowing in the recent past, the magnitude of the increase, as revealed by the survey, is substantial

Manufacturing companies displayed the largest increase in borrowings in the survey, at 94 percent, with construction companies showing 45 percent and services industries 42 percent The most fortunate sector was shipping, where borrowings actually fell by 26 percent

Another significant finding, according to Alan Gitsham, senior consultant with DH+S MC, was the wide variations in the results of the different sectors

For example, although the manufacturing sector had an average increase in turnover of only 6,5 percent, the shipping industry's turnover increased by 34 percent Retailing at least kept up with inflation with a 13,7 percent increase in sales

Even the construction industry showed a 21,6 percent increase in turnover, but it is important to note that many of the companies in the survey ended their financial accounting periods in March, June and September 1984 before the full impact of the Governments's austerity measures had been felt

Similarly, profits in the manufacturing industry (before interest and tax) fell by 18,5 percent on average, in contrast to the shipping sector where profits increased by 113 percent

Interest

As expected, all sectors showed an increase in the amount of interest paid during the period 1983/84, even where borrowings had been reduced

The significant feature, however, was that although larger companies (capital employed over R10m) had increased their borrowings by 77 percent (compared to 23-24pc for medium and small companies) their interest payments increased by only 42pc compared to 45-46pc for the rest of the sample This indicates the ability of larger concerns to borrow at more favourable rates

The results of the survey are, however, indicative of the state of Natal industry as it entered what we now know to be a deepening recession.

Turnover

Firstly, profitability was already suffering in most sectors during 1983/84, in terms of both profit on turnover and return on capital employed, before any further worsening of the economy

Secondly, as companies have increased their borrowings, they have increased their interest commitment for future years and are going to find it increasingly difficult to cover their interest payments with 1985 and 1986 earnings

Thirdly, debt to equity leverage increased by an average of 10,4pc, imposing a greater burden on companies to provide earnings for their shareholders after paying for interest-bearing capital This increased leverage will make it difficult for companies either to borrow more capital in the future for survival or expansion, or to retain sufficient profits for internal financing

Conclusion

The inevitable conclusion, according to Mike Murray, associate director of DH+S MC, is that even if the dollar falls and gold picks up in the near future, it will take manufacturing industries a considerable period to get back on their feet and move forward again

'We are advising our clients,' he says, 'to recognise that existing economic conditions will prevail for the next few years and to adjust their operating and marketing strategies accordingly This includes reducing expenses where possible, eliminating unprofitable lines and ensuring that every cost centre is covered by a profit centre

9,5125	Copper	£1 209,00
p 10,8	Platinum	$279,00
26,94	Sugar	£68,50

Govt sets out plan for future development of industry

(180) (??/??) Star 14/5/85

Guidelines to steer the country's future industrial development have been announced by government, which said its proposals were intended to improve manufacturing and productivity locally while also fostering wider international trading links

The White Paper on Industrial Development Strategy, in which government reviews its policy towards secondary industry, was tabled in Parliment today

Motivating the new strategy, the government noted that the real gross domestic product in the decade up to 1983 had averaged 2,6 percent, almost half the figure anticipated

The strategy's study group, chaired by the head of the Board of Trade and Industries, Dr Basie Kleu, was appointed in 1977 and completed its investigations two years ago

In a broadly outlined 10-point plan, the government stressed that future industrial development should be supplemented by a technology policy, while the country should also strive for a better balance between exports and import replacements

INDIRECT MEASURES

The government reaffirmed its commitment to a market-oriented economy in which its own involvement was limited, but said it would continue to promote programmes such as decentralisation "However," it added, "the government is in favour of indirect against direct measures of control"

Dr Dawie de Villiers, Minister of Trade and Industry, said in an accompanying statement that the encouragement of secondary industry was "the golden thread" running through the White Paper.

"The government emphasises the importance of continued industrial development in South Africa for employment creation and the improvement of living standards and the general welfare of the country's population," he said

Although the White Paper does not deal with specific incentives needed to promote productivity and training in industry, it said various bodies, including both private and public sector representatives, were at present considering the details to the broader industrial strategy

As part of its ongoing support to local industry, the government said in the White Paper that it would continue to impose tariffs on certain imports while encouraging exports with a new package of incentives

"The strong emphasis on exports does not mean that domestic demand for goods and services is being disregarded by the government," Dr de Villiers said

"On the contrary, the government accepts that industrial development in South Africa is not possible without protection"

The government said it supported the preferential treatment of local goods "to the extent that it can be economically or strategically justified"

Customs tariffs, and no longer quantitative import restrictions, were now "the prime instrument of protection," and would continue to be used on a moderate and selective basis, the government said

During the two years ending in March, 1984, South Africa and the homelands approved applications for industrial assistance totalling almost R4,3 billion.

Although the government expressed its satisfaction with regional development, the White Paper proposed that future decentralisation should be carried out "on a regional basis and with greater co-operation across political boundaries"

Dealing for the first time ever with proposals for a national technology policy, the government said it wanted a "coherent and flexible policy (and) to let technology play its rightful part in industry's efforts to become more competitive through increased productivity"

Dr de Villiers said the Council for Scientific and Industrial Research, in tandem with his own department, would be responsible for devising a mechanism for the transfer of technology

Although the White Paper referred briefly to the privatisation of government-controlled industries, such as Escom and Iscor, Dr de Villiers said this had not been a major issue at the time the study group began its task

However, he added, the Industrial Development Corporation, which was responsible for the state-controlled industries, constantly reviewed the situation and possibilities of reducing government shareholding — Sapa.

Assocom comments . .

The general trend of the White Paper, with its emphasis on export promotion, contradicts the view of those who say the current disinvestment and sanctions campaign in the US is a "blessing in disguise", says Assocom

"South Africa needs to maximise its external economic relations and contacts to underpin long-term economic growth Even if foreign capital should be less available for economic or political reasons, there would remain an even greater need for South Africa to expand its export markets in order to create adequate jobs in the future"

ASSOCOM welcomes the fact that local industry is assured of continued moderate and selective tariff protection

The White Paper, it says, makes it clear that import replacement has decreased in significance as a growth factor and is accompanied by increasing problems and costs

"Inflation will have to be reduced if the right framework for economic growth is to be created and if South Africa is to remain internationally competitive," it says

Govt issues guidelines for industrial growth

NM 15/5/85 (180)

PRETORIA — Guideliness to steer the country's future industrial development have been announced by Government, which said its proposals were intended to improve manufacturing and productivity locally while also fostering wider international trading links.

The White Paper on Industrial Development Strategy, in which Government reviews its policy towards secondary industry, was tabled in Parliament yesterday

Motivating the new strategy, the Government noted that the real gross domestic product in the decade up to 1983 had averaged 2,6 percent, almost half the figure anticipated

The Government said that to meet the required growth, it was the manufacturing industry in particular which would have to play a major role in creating jobs and improving productivity and competitiveness

Balance

The strategy's study group, chaired by the head of the Board of Trade and Industries, Dr Basie Kleu, was appointed in 1977 and completed its investigations two years ago

In a broadly outlined 10-point plan, the Government emphasised that future industrial development should be supplemented by a technology policy, while the country should also strive for a better balance between exports and import replacements

The Government reaffirmed its commitment to a market-oriented economy in which its own involvement was limited, but said it would continue to promote programmes such as decentralisation

'The Government will always have a role to play in improving the market's functioning and in ensuring that particular national objectives are being promoted,' it was stated in the White Paper

'However,' it added, 'the Government is in favour of indirect against direct measures of control'

Dr Dawie de Villiers, Minister of Trade and Industry, said in an accompanying statement that the encouragement of secondary industry was 'the golden thread' running through the White Paper

Welfare

'The Government emphasises the importance of continued industrial development in South Africa for employment creation and the improvement of living standards and the general welfare of the country's population,' he said

Although the White Paper does not deal with specific incentives needed to promote productivity and training in industry, it said various bodies, including both private and public sector representatives, were at present considering the details to the broader industrial strategy

As part of its ongoing support to local industry, the Government said in the White Paper that it would continue to impose tariffs on certain imports while encouraging exports with a new package of incentives

'The strong emphasis on exports does not mean that domestic demand for goods and services is being disregarded by the Government,' Dr de Villiers said 'On the contrary, the Government accepts that industrial development in South Africa is not possible without protection'

The Government said it supported the preferential treatment of local goods 'to the extent that it can be economically or strategically justified'

Customs tariffs, and no longer quantitative import restrictions, were now 'the prime instrument of protection,' and would continue to be used on a moderate and selective basis, the Government said

Homelands

Referring to the decentralisation of industry, the Government noted that a new scheme it had introduced early in 1982 had met with greater success than its predecessor During the two years ending in March, 1984, South Africa and the homelands approved applications for industrial assistance totalling almost R4,3bn

Although the Government expresses its satisfaction with the regional development, the White Paper proposed that future decentralisation should be carried out 'on a regional basis and with greater co-operation across political boundaries.'

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Escom

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However, he added, the Industrial Development Corporation, which was responsible for the State-controlled industries, constantly reviewed the situation and possibilities of reducing Government shareholding — (Sapa)

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Govt's plan for balanced growth

Government has formulated a development strategy it believes will meet the formidable challenges facing South African industry. Priscilla Whyte reports

THE White Paper on industrial development strategy tabled in Parliament this week spells out Government's broad policy approach towards achieving balanced economic growth in general and secondary industry.

Government believes that the many formidable challenges facing South African industry can be met by a development strategy which:

- has a more productive manufacturing sector as its overriding aim,
- is designed to bring industrial development more into line with the resource capabilities of the country;
- is supplemented by an appropriate technology policy;
- strives for a more balanced promotion of exports and import replacement,
- embodies a more vigorous and effective decentralisation effort on a regional basis and with greater co-operation across political boundaries,
- strives for a more outward looking international trade policy;
- makes greater use of the market mechanism and of market-oriented policy instruments,
- promotes a greater degree of price stability; and
- confines government's role to policy planning

The White Paper said in contrast with the primary sectors, the manufacturing sector is a net consumer of foreign exchange and is more capital intensive and less efficient as regards the productive employment of capital

The recommendations of the study group on industrial policy are that:

- South Africa's overall development strategy should be geared to developing agriculture and mining to the full extent permitted by demand factors and the availability of natural resources,
- immediate attention be given to the improvement of South African technological policy with the framework of industrial policy; and
- an intensive effort be made to increase the productivity of all resources in industry and that the Government regard this as a matter of the highest priority when deciding on financial support

Government's view is that the development of the primary sectors should not be allowed to impose too heavy a burden upon the non-primary sectors A balance must be struck in future economic development

The improvement of productivity could be regarded as the central theme of the study group. While the manufacturing industry in terms of the total economic structure has become the largest contributor to the national product, it is trailing behind the primary sectors in terms of productivity in the use of resources and in contribution to the balance of payments.

The White Paper points out that in the past decade South Africa has experienced a considerable capital intensification in the manufacturing industry. During the years 1970 to 1982 the capital/labour ratio increased at a rate of 4,4% a year.

However, productivity increased on average by 2,8% a year (1960 to 1982). An unfavourable labour/productivity performance in respect of the earnings per employee was discernable during the period 1972 to 1983 That is an increase in the unit cost of labour in the manufacturing sector

The White Paper says government is committed to improving the vertical mobility of labour by the removal of measures impeding such mobility and by the promotion of the training and retraining of the total workforce.

The authorities are strongly in support of small business because it is innovative and introduces sound competition in the country's relatively small market It also makes a substantial contribution towards providing employment and specialisation.

The need is appreciated for the necessity of providing more venture capital for private sector development Particular attention has to be given to technology-intensive industries that promote economic growth

However, the fullest use has to be made of unskilled and semi-skilled labour with the greatest possible saving of the scarce resources of skilled labour and capital.

The technological policy also has to take into account import replacement and export promotion. In essence the development, transfer and utilisation of technology is an inherent part of the pursuit of profit by private enterprise

In terms of import replacement and the protection of industry government believes in encouraging and developing the manufacturing industry in conformity with the maintenance of the market institutions and forces inseparable from free enterprise

Government policies may introduce an unwarranted additional element of uncertainty that could have negative effects on investment decisions and therefore committed itself anew to consistency in the application of such policies and measures

Due to South Africa's international political position, the local manufacture of some capital goods and other industrial inputs should be considered for strategic reasons and the White Paper spells out guidelines. A strategic product is defined as one that is of substantial value for the survival or defence of the country.

Exports will have to play a greater role in industrial development and government is at present taking into account the financial means and international obligations in the promotion of exports

The effects of monetary and fiscal policy on industrial development has to be taken into account.

A regional approach to the spatial development of South Africa is necessary owing to the need for economic co-operation on a regional basis but government stresses the complex nature of such development

For the year ended March 1984 South Africa, Transkei, Bophuthatswana, Venda and Ciskei jointly approved 2 613 applications for assistance to regional industries involving a total capital investment of R4 257m. If all the industries should eventually be established 181 237 additional employment opportunities will be created

Government endorses a commitment to the strengthening and expanding of South Africa's trade ties with foreign countries through closer liaison and negotiation. On the Southern African Costums Union the SA government believes that it has become evident that discussions tend to centre on the financial aspects of the agreement — that is the methods of division of income in the customs pool.

Such an approach may eventually lay an excessive burden on South Africa's income base from this source and prevent further evolution of the other provisions of the agreement, particularly those relating to the economic development of the common customs area It is considered that the trade agreement with Malawi must be maintained and negotiations will continue with Zimbabwe towards formalising a trade agreement.

There is renewed commitment in the White Paper to the maintenance and promotion of a market-orientated economy with sound competition.

Restructuring of export incentives

RESTRUCTURING of export incentives is one of the key themes running through the White Paper on industrial development strategy

Trade and Industry Minister Dr Dawie de Villiers said at a Press briefing on the White Paper that some of the present export schemes "will have to be restructured due to obligations under the General Agreement on Trade and Tariffs (Gatt)".

He said there was some concern that the present scheme was not as cost effective as it should be

The real question was whether the export incentives were achieving the desired objectives

Board of Trade and Industry chairman Dr S J Kleu commented "A relatively small number of companies are contributing a relatively large proportion of all exports "

He pointed out that many of these industries were fairly competitive and did not need as much incentive as one would think

Others are forced exporters such as capital intensive industries requiring a large volume of production and are actually forced to export to achieve a better utilisation of capacity for lowering of costs

He said that the question was to what extent there was a need for some sort of incentive to export or whether government "is just puting more money into their pockets"

A very serious problem for South Africa was that despite the incentives being give South Africa had not been diversifying exports to the extent required.

South Africa in recent years has been becoming "more dependent on gold and other minerals instead of less" Little headway has been made with the export of the manufactured articles

Real problems have to be faced with the structure of export incentives "because some export incentives are in conflict with the subsidies code. Some subsidies have to be restructured or done away with"

One of the problems is to give incentives which will basically improve the competitive ability and not only "put money into people's (exporters) pockets" Kleu noted that "to achieve our goals of diversification we will have to see that they are not in conflict with Gatt".

De Villiers said that South Africa would have to become more diversified with distinctive strategies for different industrial sectors The Department of Trade and Industry, the Board of Trade and Industry and other agencies, he said, intended to undertake more sectoral studies which would enable the authorities to determine the potential of a particular industrial sector in its contribution to the economy.

He said government assistance might well be necessary for the restructuring of an industry to make it more competitive. Restructuring would have to occur in a fast changing industrial environment open to the impact of an international trading environment.

The point was also spelt out that import replacement by South African industry should be more effectively co-ordinated with export promotion Kleu pointed out that the protecting of local industry against foreign competition had put up the costs of exporters

De Villiers said the further processing of minerals would continue to be an area where further progress could made in exports. There has been a different policy for the minerals sector compared to other sectors of the economy and De Villiers said it would continue and, in fact, gain momentum He pointed out that in assessing what South African manufactured goods should be exported it was necessary to assess the cost and what the total contribution could be to the total economy in terms of issues such as balance of payments and job creation

De Villiers, however, was not specific on what industrial sectors other than minerals would be pushed for export promotion Regional development of industries indirectly offered an opportunity for export orientated industries to get off the ground by being located closer to a harbour suitable for exports

Right time for industry boost

A THOROUGH look at industrial strategy is not inappropriate at a time when the disinvestment lobby is gathering momentum. Tabling of the White Paper on industrial development strategy has come after years of deliberations and, it is hoped, with its stated commitment to free enterprise South Africa will look more interesting for investment than the cries for disinvestment have been suggesting

The worry is that the strategy must be implemented during the worst economic slump since the Second World War. According to Kim Ash, one of the members of the industrial advisory committee, it will take from 18 months to five years to bear fruit

The entire document is couched in terms that address the central issues confronting industry — competition, exports, unviable industries and resources, both material and labour.

Ash says the the White Paper sums up deliberations which have gone on for several years and is a good general document with absolute commitment to free enterprise

But he believes that, although the medicine had been found for such issues as too much import control for the past 30 years and industries set up for the wrong reasons, it would "take 18 months to five years for the industrial strategy medicine to flush out the system".

Although some industries were set up for the wrong reasons they could not now be shut without considering the implications for unemployment and the capital investment involved. It is well to remember that, despite the South African population being 30-million, there are only 8-million active in the economy.

South Africa is very much a mixture of a First- and Third-World economy but, as the White Paper points out, in terms of the General Agreement on Tariffs and Trade (Gatt), South Africa has been classified as a developed country and is subject to reciprocity. Consequently, as far as the granting of tariff protection to its industries is concerned, South Africa does not have the room to manoeuvre which the developing countries possess in terms of Gatt

On the highly-emotive issue of regional development of industries, there is a genuine case for viable decentralised industries not merely based on incentives — because, in the traditional urban areas, South Africa is running out of natural resources, such as the shortage of water on the Witwatersrand.

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INDUSTRIAL STRATEGY

Putting it in writing

After eight years of study — six by Board of Trade chairman Basjan Kleu and two by an Industrial Advisory Committee — government's White Paper on industrial strategy was finally published this week

On balance it was probably worth waiting for, although more jaundiced observers will probably question the merit of engaging in such a protracted study only to state what, to most businessmen/industrialists, comes naturally

The problem with blueprint drafting, particularly on less arcane policy options, like secondary industry whose dynamics are determined by such mundane things as common sense, tax and interest rates, is that the policy framer is overtaken by events It is probably a measure of the good sense that is contained in the paper tabled in Parliament this week that much of its conclusions are already entrenched in public policy

This says a lot for Industries Minister Dawie de Villiers, a retreaded dominee with a self-effacing style, who continues to impress friend and foe alike with his quiet pragmatism and his quick grasp of how the market economy works Most impressive is his willingness, often in the face of reactionary opposition to change, to try to impose policy instruments consistent with government's professed commitment to freedom in markets

De Villiers

Therefore, if there is nothing in this document that seems new or exciting, it does have the merit that it binds, in writing, the present administration to a set of principles that are pragmatic and flexible Moreover, it should be viewed as a focus, not as a substitute for future economic decision making As Assocom's Raymond Parsons says "It is a positive and confirmatory document which will facilitate business planning"

This is not to say that manufacturing industry is doing as well as it could Far from it The study group finds the single most glaring shortcoming of the sector is lagging productivity which, it argues, takes the edge off competitiveness and therefore affects export performance The study group's message is that productivity will have to be stepped up appreciably if it is to contribute in any measure to the principle economic option of the future — export-led growth

Perhaps due to lenient fiscal policy, SA experienced considerable capital intensification between 1970 and 1982 The capital/labour ratio increased at 4,4% a year during this period But at the same time the productivity of capital in industry decreased on average by 1,9% a year And although labour productivity increased an average 2,8% between 1960 and 1982, the study group says "an unfavourable labour productivity performance in respect of earnings per employee was discernible during the period 1972 to 1983, an increase in the unit cost of labour" The group ascribes this to "an inadequate industrial training structure, a lack of productivity awareness and inadequate managerial capability, especially at middle-management level"

Now many people are going to have trouble with the study group's argument Harder work by better-trained people, managed by capable managers, is not going to raise industry's competitiveness Only a lower rate of inflation can do that For its part, government says it remains committed to reducing its share of the economy, and it "reaffirms its commitment to pursuing and to tightening up a policy of financial discipline — in its own expenditure too."

Because of persistent high inflation, it is to be welcomed that the White Paper acknowledges the rapid decline of import replacement as an industrial growth tool It is reassuring, too, at least in theory, that government now seems committed to "selective and moderate" tariff protection as the "prime instrument of protection"

Many people are going to have difficulty in accepting that the export option is the most important route out of recession It is true, as Assocom remarks, that SA needs to maximise its external economic relations to underpin long-term growth And there remains an even greater need to expand SA's export markets to create sufficient jobs

But, as Mercabank pointed out this week, a far simpler option exists in "inward industrialisation"

The bank suggests the authorities should look to the orderly urbanisation of the black population as the primary source of generating economic growth ■

MONEY SUPPLY

Growth slackens

Money supply growth figures for the end of March are disappointing, despite a marginal easing on a year-on-year basis

The narrowly defined M1 — coins, banknotes and the demand deposits of the non-bank private sector — increased by 30,8% to R25,91 billion, compared with a growth of 33,1% in February

The more significant M2 — M1 plus short and medium-term deposits of the non-bank private sector — rose 25,1% to R38,78 billion, compared with 25,4% in February.

M3 — M2 plus all other deposits of the non-bank private sector — increased 22,1% to R43,28 billion, compared with 22,6% in the previous month

According to a flash estimate from the Reserve Bank, however, velocity came down still further as a result of a reduction in overall expenditure in the first quarter of the year Although final figures are not available until the middle of May, this does brighten hopes for a future reduction in the inflation rate

But until the money supply growth itself is under control, prospects for reducing inflation remain bleak, a crucial factor, of course, in modifying consumer expectations

Says Volkskas economist, Adam Jacobs "The key now is to make sure the public believe the government is going to succeed in bringing the inflation rate down To do this, the government must make it abundantly clear it is going to stick to its policies" And, according to the Reserve Bank, the strong growth in the money supply is the "final act of the adjustment process"

There are three primary factors that contribute to money supply growth Firstly, there are the net gold and foreign exchange reserves At the end of March, total reserves came down by R315m, largely because of a decline of R303m in the bank's holding of foreign currency. This contributed to the slight softening in money supply aggregates

The second factor, bank advances to the private sector, however, increased, although there is some controversy as to the reason Some bankers maintain it was primarily the result of clients borrowing locally to liquidate short-term foreign debt

Says Braam van Staden, deputy governor of the Reserve Bank "People burnt their fingers on the foreign exchange market when the rand came down. They now realise foreign financing is too risky, and have decided to minimise their exposure as soon as possible"

However, other banks say they did not witness a switching back over this period Says Standard Bank's senior GM Arthur Daymond· "The continued growth in lending did not represent any switching back, and, if anything, offshore financing drifted marginally upwards Distress borrowing continued

VERDICT ON THAT NEW INDUSTRIAL STRATEGY

All Mother Love and apple pie?

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S. Times 19/5/85

By BRIAN POTTINGER

DECLARATIONS of intent — political, economic and social — are falling faster than confetti at an Italian wedding.

The latest from the desk of government is an innocuous-looking 34-pager entitled simply "White Paper on Industrial Development Strategy in the Republic of South Africa".

Enclosed in its pages are nearly eight years of research and analysis about the country's industrial path forward

President Botha first spelt out the strands of the policy at the Carlton Conference in 1979 and took it further at the Good Hope Conference of 1981

The document is thus not a new vision but a codification of a policy already unfolding; government's economic equivalent of Stoffel van der Merwe's political tract

The White Paper, nevertheless, is a dramatic document highlighting the extent to which the National Party Government has departed from its earlier economic philosophy

Dubbed

The paper, a response to the earlier Kleu Study Group Report, has, nevertheless, been rapidly dubbed the "Mother Love and Apple Pie" tract There is little in its generalities over which industry can quibble

In a point-by-point response to the Kleu Report the Government argues the central arbiters of South African industrial survival lie in productivity and competitiveness

It commits itself to achieving both, promises to further back away from market intervention, still offers, however, selective protectionism for domestic industries, promises cutbacks in State expenditure, posits new channels for communication between government and the private sector, hints sternly at steps to oppose economic over-concentration and addresses the prickly problems of technological imports and the effects of exchange rate fluctuations

Free markets, competitiveness, market-orientated forces and indicative (rather than prescriptive) planning are the buzz words

The Federated Chamber of Industry has given it the nod

"The report is really a bus-route It tells one whether to take the red, blue or green routes to get where one wants to go It does not — and cannot — give the time-table for the buses' arrival and departure", says FCI's Arthur Hammond-Tooke

Cheers

"But measured against the criteria of whether it reflects a fair assessment of the elements of a very complex system and whether it has credibility among the private sector it must be given two cheers"

Andrew Savage, the official Opposition's chief spokesman on trade and industry, accepts it is a constructive contribution deserving of praise

The document, then, *is* an important step

It tears itself away from the Government's quasi-command, neo-socialist past and pledges itself to an as free as possible market It offers to further relax price control (it has moved significantly already in this regard) and again commits itself to curb the burdensome legacies of a big public service and the parastatal dinosaurs

A far cry from that day in Febuary 1977 when Prime Minister John Vorster warned Dr Andreas Wassenar — an Afrikaner business tycoon and arch critic of Big Government — that "Better people than he have tried to break this government and bring it to a fall"

Drama

Wassenaar's concern for Big Brother's profligacy, arrogance and intrusiveness was this week vindicated Not a government, but a government's past economic philosophy saw its epitaph written within the plain white covers of the report

But declarations of intent are two-edged swords They allow government the drama of unveiling a framework of ideals But they bequeath the drudgery of defending actions measured against proclaimed intentions

A number of outstanding issues still have to be resolved by action rather than by statement of intent

The first is the tricky arena of "ideological orientation"

This year a full 40 percent of the budget of the Department of Trade and Industry will be devoted to decentralisation incentives — the bid to lure investment to the rural industrial growth points

Paradoxes

The bluff enthusiasm of the Government for the mega-rand scheme is the centre of fierce debate between Pretoria, on the one hand, and some opposition, industrial and academic quarters on the other

The latter argue the decentralisation initiative represents a dangerous distortion of market forces and is the opposite of government's proclaimed free-market ideals.

Yet the White Paper stoutly defends the scheme as an integral part of its strategy for spatial ordering of industry — while paradoxically admitting the full benefit of the three-year-old scheme is still unkown

A second issue is economic over-concentration The White Paper, correctly, prides itself on the slow relaxation of price controls Yet the corollary of an uncontrolled price system should be a nominally free market — a far cry in terms of the dramatic increase in business conglomeration in South Africa

The Government White Paper genuflects to the problem Two investigations by the Competitions Board are presently underway one deals with the occurrence of inter-locking business undertakings and the other with cartel agreements

Again, intent awaits action

A third area relates to the Government's ability to assist with the complex process of changing South African industrial strategy from import substitution to an export phase of growth

The key lies in increasing domestic competitiveness while simultaneously projecting South African exports onto world markets at internationally competitive prices The enormity — and paradoxes — of the task is acknowledged by the Government

The White Paper emphasises the sensitivity necessary from government in weighing competing demands import barriers, the status of imported input components in South African export goods, relative needs of regions, sectors and commodities, strategic considerations versus pristine economic ones, subsidies on export goods, international treaties

It raises another paradox at precisely the moment the Government is committed to withdrawing from intervention in the market its importance in shepherding South African industry towards a new age of export-led recovery becomes most pressing.

Encouraging

There are also implications for our fraternal relations with other developed countries in the General Agreement on Tariffs and Trade (Gatt) club Some industry sources maintain that government negotiators have still not learnt to operate effectively within the Gatt to the benefit of the country's industry Future negotiations on South African traffic treaties will have to display greater acumen

Ultimately, however, no Government White Paper pledging a *reduction* in government intervention in the market place can on its own be a springboard to the recovery of a segment of the private sector — that must come from the marketeers FCI's response to the White Paper, say government sources, is encouraging

City factory space scarcer as more small firms start up

W/E Argus 15/6/85

(180)

By TOM HOOD
Property Editor

AN UPTURN in the number of small businesses starting in the Cape Town area has created a shortage of small factories

Several established industrial firms have also moved into larger premises, taking advantage of lower rents and slack times to move with the least disruption

The surplus of small workshops and other industrial buildings that lay empty for months has been virtually mopped up in a few weeks, say property brokers

A "definite increase" in loan applications is reported by the Small Business Development Corporation

Many were from people who had lost their jobs and were starting on their own, said Mr M JK Pentz, managing director, this week

Positive attitude

"Most of them are trying to do what they did in the past and, of course, that is how many important companies started"

Demand for small factories is rising particularly in Paarden Eiland, indicating that industrialists are now taking a positive mental attitude, says a property broker in the area, Mr Peter Unite

"Small factories are not standing empty for long and they are starting to move like hot cakes," he said this week

"We have people phoning us to look at buildings, which has not happened for some time The old pessimism has gone out of the window and industrialists are planning ahead for a recovery in business There is more optimism in the market"

But demand for larger buildings is still sluggish

Rentals firming

Rentals are firming again though still about 20 percent below their peaks and about the same level as two years ago Offices are marginally below equivalent accommodation in the city centre

Landlords until now have been offering lower starting rents to excite tenants and refurbishing buildings to secure tenancies

Two companies to move into larger Paarden Eiland offices in the last few weeks are Ready Mixed Concrete, taking over 1 200 sq m on two floors of a building and Three M, moving into an 1 100 sq m office

A 600 sq m workshop with a yard and parking in Paarden Eiland was sold by Peter Unite for R175 000 against a recent valuation of R200 000 It is let at a rent below current rates which should improve by a third on reletting in 18 months

Mr Brian Smallbone, an industrial broker with DCF, said there was now a demand for small industrial premises of between 150 to 250 sq m but very few were available

Most people wanting to start up were from the motor trade, such as panel beaters and mechanics There were also glass-blowers, carpenters and a sprinkling of others

Landlords were able to charge up to R5,50 a sq m for small workshops against R1,50 to R2,50 for larger buildings

"If landlords want to move their property they should carve their large factories into small units and they will get a greater return"

Figting for it

Mr Peter Holland, a director of Faber Holland, said the firm had tried for eight months to let a 3 000 sq m factory at Elsies River but now two people were almost fighting for it

"People are grabbing factories if they can get a low rent Instead of the going rate of R2,75 a sq m, one landlord is letting a big place at R1 a sq m on a short lease with high escalations"

In the Bellville area, demand for offices and shops has improved by about 25 percent in the last two months, says Mr Hein Benz, managing director of Triland

Most factories had large vacant areas which they could sub-let but the firms preferred to keep the space rather than be caught out if business improved later in the year

A 3 000 sq m sectional title office development in central Bellville was half sold although it would not be complete until September

THIRD PARTY INSURANCE

Petrol premium

SA's 4m motor vehicle owners will have one less sticker for their windscreens next year, if recommendations from a minority report on third party insurance are accepted

The *FM* learns that government is likely to reject the majority findings of the Grosskopf Commission, and accept instead the minority report submitted by Johannes Keyser Keyser suggests the introduction of a petrol levy of between 1c/*l* and 1,5c/*l* in lieu of insurance premium — to be collected by the oil companies on the government's behalf

The Grosskopf Commission was appointed in 1981 to look into various aspects of compulsory motor vehicle insurance Unlike Keyser, the other six members disagreed with the levy idea, saying the existing system should be retained with a few amendments

However, Keyser, a former manager of the Motor Vehicle Assurance Fund (MVA), says a petrol levy would benefit "the motorist, the claimant and the government in terms of costs, service rendered to the public and general efficiency"

Costs (including agents' commission) could be reduced from R17,3m to just R4m/year — an annual saving of R13,5m, which Keyser believes could even reach R15m The current cost of collecting is R10,3m (18% of gross premium) paid to the insurance companies and R3,7m to their agents

From 1965 to 1983, the MVA Fund spent 37,5% of its income on administration and commission to insurance companies and agents — which, Keyser notes, "is not for the purpose for which it was collected to provide compensation for loss or damage suffered as a result of bodily injury or death arising from a motor accident"

Commission amounted to R202m compared to the R539m (62,5% of income) paid to claimants The relationship of expenses to premium income was 29,6% in 1979-80

Keyser also criticises delays in settling claims, and the fact that many motorists end up assuming responsibility for claims themselves

The MVA Fund was created in 1965 Later, under the compulsory Motor Vehicle Insurance Act of 1972, vehicle owners became legally obliged to buy third party insurance annually

If, as expected, Keysers' minority report is accepted, petrol companies will in future pay into the MVA Fund The fund will, in turn, instruct insurance companies to settle claims

A leading insurance company tells the *FM* a petrol levy "will be cost efficient, involving little additional administration" Oil companies, Keyser finds, agree that collection costs would add only a very small amount to administration expenses

Denzil Vermooten, Public Affairs Executive of the AA, says the advantages are that third party insurance will be streamlined and more convenient to motorists "Motorists will experience no annual deadline and will not have to bother about discs on windscreens"

Pointing out that the AA was instrumental in getting the commission to investigate the issue of a petrol levy, he adds that unlicensed and unregistered vehicles will now automatically be covered with third party insurance "Motorists will obviously be more secure in the knowledge that, should they be involved in an accident, they, and other parties involved, are covered"

PETROL LEVY SAVES

	Present system	Proposed system
Administration costs paid to insurers (1982/83)	R13 556 106	
Agents commission (1982/83)	3 756 765	
Administration costs of MVA Fund (1982/83)	618 671	
Estimated administration costs of MVA Fund according to Prof de Wet (between R3 and R4 m)		R4 000 000
Cost of collecting premiums for non petrol driven motor vehicles calculated at present commission paid to agents		431 165
	R17 931 542	R4 431 165
Source Grosskopf Commission		Saving of R13,5m

Keyser estimates the subsidisation of those motorists who fail to insure their vehicles amounts to R2m annually

A further advantage of a petrol levy is that a degree of fairness is introduced, whereby payment will be directly related to road usage The more mileage one does — hence the greater the probability of having an accident — the more one will pay for third party insurance Vermooten feels a petrol levy is unlikely to push the petrol price up "By the time the authorities implement this, the rand should have stabilised — leaving enough spare cash for the required levy without having to increase the price"

Keyser's recommendation that the MVA Fund handles claims is unlikely to be accepted, however Instead, insurance companies themselves will, in all probability, assume the task — although the method to be adopted still needs agreement It is likely that claims will still be notified to the MVA Fund, and insurers will settle them on its behalf, under instruction, as is currently the case

Most insurers are opposed to a government body handling claims Says one insurer "We are confident that insurance companies can administer claims more cheaply than any central government body" Most insurance companies, he says, agree

However, if insurers will no longer be issuing tokens under the new system there will be no automatic indication of which insurer should handle a given claim And this is one problem that needs to be resolved Certainly, insurers will be calling for certain guarantees "Running a claims department is costly, and requires a minimum number of claims to make it worthwhile," says one insurer

Regarding the 431 000 vehicles that are diesel or electric driven, Keyser recommends that premiums be collected through the Post Office, which would mean that some 20% of vehicles would still need tokens

He also suggests that the 340 000 self-propelled vehicles (such as caravans and trailers) be exempted from compulsory motor vehicle insurance Such vehicles represent 44% of non-petrol driven vehicles which are, at the moment, insured ■

MANUFACTURING

Still falling

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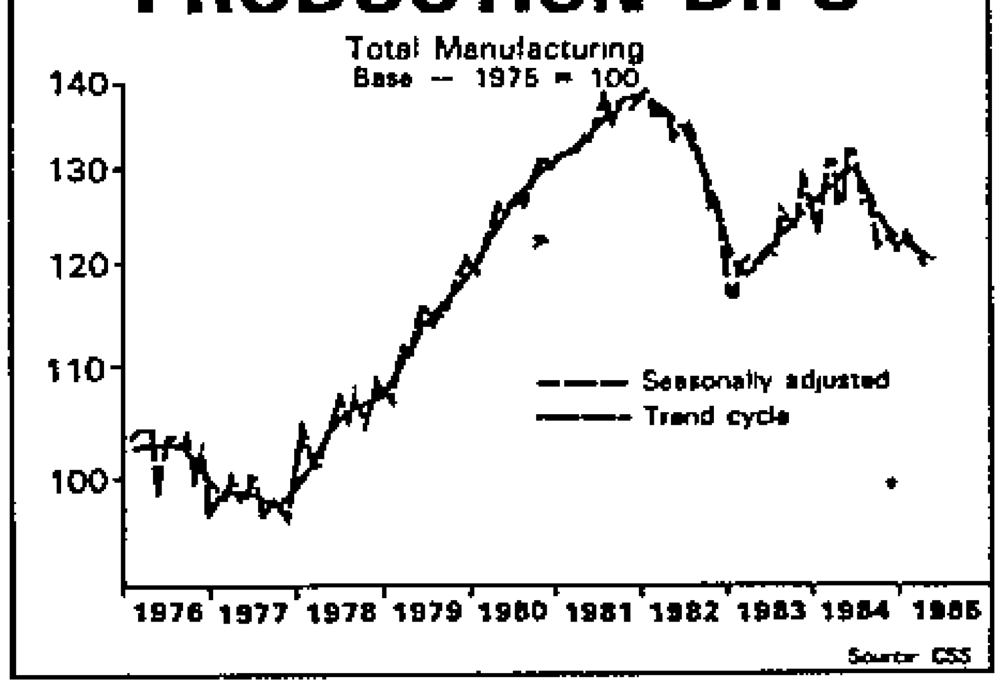
Manufacturing production continues its fall from June last year, according to the latest trends indicated by the Central Statistical Services (CSS) Figures show that the seasonally adjusted manufacturing production index declined on a year-on-year basis by 4,4% to April 1985

The index dropped to 119,5 (base of 100 in 1975) from 125 in April 1984 For the latest quarter to April 1985, actual manufacturing production dropped 6,5% over the same period in 1984 The major reason for the year-on-year April drop is the 37,5% decline in motor vehicles, parts and accessories

This sector carries a large weight (5,2%) within the index and, as such, contributed 2 percentage points of the total 4,4% decline

Also contributing to the fall in manufacturing production was the poor performance in the machinery (excluding electrical) industry This sector declined by 21,1% over the year and moved the overall index by 1,5 points The transport equipment has also been hit hard, recording a fall of 21,9%, while textile production dropped 18%

PRODUCTION DIPS



Of the 27 manufacturing industries covered only 11 recorded increases Printing and publishing, with paper and paper products, were the most notable Both sectors showed a production expansion of around 20% Professional and scientific equipment rose by 11%, tobacco products by 10% and beverages by 4,5% Food, which carries the largest weight

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in the production index (10,7%), increased by a mere 1,3%.

Johan van Zyl, chief executive of the FCI, points out that manufacturing production figures are usually more volatile than broader production figures

This is so because manufacturing production includes durable goods, which are more sensitive to the business cycle than non-durables

For this reason the index tends to move more sharply than the gdp ■

FACE TO FACE

KARL POSEL

Grasping the tax figures

Karl Posel is the author of *Income Tax: Theory and Application.* Here he discusses with the FM what he calls the consultant's headache of proceeding from after-tax to pre-tax quantities. It is solved by applying: "The mathematics of income tax."

***FM:* What is meant by the "mathematics of income tax"?**

Posel: The mathematics of income tax is the new field of study which comes about by giving mathematical equations to the income tax table.

The first question in the reader's mind is then surely of the form "Why should it be necessary to provide these equations, as Inland Revenue and the profession have apparently been quite content for years without them?"

The most convenient answer here is to consider the following practical example Mr M, aged 26 years and married, enjoys a taxable income of R25 000 He has just inherited the sum of R40 000 His wife, a cautious personality and not fully convinced of her husband's investment acuity, suggests that he place his windfall in the Post Office at a return of 10%/year tax-free

This figure seems rather low to our Mr M, who wishes to place it elsewhere Mrs M, however, now asks for detailed calculations to determine what pre-tax investment return he must obtain to better her idea of "10% tax-free."

This situation is surely not to be regarded as an extraordinary occurrence The thinking taxpayer attempts to obtain the optimum after-tax yield on his investments Yet the solution required by Mrs M is guaranteed to cause more than just the normal headache for her tax consultant's tax table procedure.

The essential weakness of the tax table is that it is a one-way system, moving in the direction from pre-tax to after-tax quantities. To go the other way has often relied on numerous trial and error attempts Instead, to solve Mr M's problem it is better to remove this one-way weakness providing mathematical equations to the tax table, as this series of articles will illustrate

And the fundamental concept of the after-tax retentions?

It may come as a surprise that the most important quantity in tax work is *not the amount of tax paid, but the amount which is retained by the taxpayer once his liability for tax has been met* The term "disposable income" has been used for this quantity, but I prefer the more explicit "retentions."

The tax payable is the quantity which emerges from the tax table, and is governed solely by that quantity termed the "taxable income " This is given by·

Taxable income = income less permissible deductible expenditure .. (1)

We consider now the fundamental equation for the taxpayer's after-tax retentions This will be given by

Retentions = income less total expenditure, less tax payable ...... (2)

In terms of the Income Tax Act, some of the expenditure incurred by our taxpayer will be permitted as being tax deductible We then have the following equation

Total expenditure = deductible expenses plus non-deductible expenses ... . (3)

We substitute equation (3) into equation (2) to obtain.

Retentions = income less (deductible expenses plus non-deductible expenses) less tax payable, which we proceed to write in the following form

Retention = (income less deductible expenses) less non-deductible expenses, less tax payable .... (4)

We note that the term (income less deductible expenses) is then precisely the quantity of taxable income as defined by equation (1) Hence we may write

Retention = taxable income less non-deductible expenses less tax payable (5)

Equation (5) is the fundamental equation of all quantitative income tax work

Returning to Mrs M's problem Equation (5) enables us to commence the solution to Mrs M's problem We need only *one* more piece of information to emerge with the final result This is the equation relating the tax payable to the causative taxable income

I will not provide the detailed derivation for this equation here, but merely state that for the range of taxable incomes from R16 000 to R32 000 the relation between the tax payable "Y", in thousands of rands, and the taxable income "A", once again in thousands of rands, is for the latest March 1985 income tax table

$Y = 0{,}005A^2 + 0{,}1A - 0{,}62$ (6)

We are to substitute equation (6) into (5) In so doing let us use the following symbols.

Let R = retentions

N = non-deductible expenditure

A = taxable income, in thousands of rands

Y = tax payable, in thousands of rands

We then have that

$R = A - N - Y$

$= A - N - (0{,}005A^2 + 0{,}1A - 0{,}62)$

or finally $R = 0{,}9A - 0{,}005A^2 + 0{,}62 - N$ (7)

Equation (7) is all we now need to proceed with the solution to Mrs M's problem We determine firstly the retentions possessed by Mr M prior to receiving his inheritance. His taxable income is given as R25 000, which means we have merely to substitute A = 25 in equation (7), to obtain

$R = 0{,}9 \times 25 - 0{,}005 \times 25^2 + 0{,}62 - N$

$= 22{,}5 - 3{,}125 + 0{,}62 - N$

$= 19{,}995 - N$. (8)

Thus M's retentions are R19 995 - N prior to receiving his inheritance He now invests his R40 000 windfall at 10% per annum tax free. After one year his retentions have obviously increased by the sum of R4 000 to R23 995 - N

We now determine the pre-tax rate which alternative investments must provide to better this 10% tax-free performance We merely use equation (7) with the knowledge that the retentions have to be R23 995 - N and we are to determine the new increased value of taxable income which will result in this figure

Hence into equation (7) we substitue R = 23 955 − N, since thousands of rand units are to be used We have

$23{,}995 - N = 0{,}9A - 0{,}005A^2 + 0{,}62 - N$

or

$0{,}005A^2 - 0{,}9A + 23{,}375 = 0$ (9)

We are required to find the value of the taxable income A which satisfies equation (9) For the reader who does not recognise the form of equation (9) and who is able to cast his mind back to his Standard 9 high-school days, it is a normal quadratic equation whose solution is the well-memorised formula of "minus b plus or minus the square root of b squared minus four a c all over 2 a " The required value of A from equation (9) then emerges as 31,48

Since A is in thousands of rands, the required value of the new taxable income is R31 480. The pre-tax increase required of M's investment of his R40 000 is then R31 480 minus his taxable income in the absence of the inheritance, namely R25 000. M's investment must thus produce a pre-tax amount of R6 480 to equal the 10% tax-free suggestion of his wife

On a sum of R40 000, this required interest of R6 480 represents a return of 6 480/40 000, or 16,2% per annum pre-tax

Hence M's investment must yield pre-tax in excess of 16,2% per annum to better the 10% tax-free figure in his specific case of a R40 000 inheritance on a taxable income of R25 000 ■

Silicon Valley-type park planned for Cape

W/E Argus 6/7/85

(180)

By TOM HOOD

A HIGH-TECHNOLOGY industrial park near D F Malan Airport that could provide jobs for thousands of workers is being planned by Wesgro and the Cape Chamber of Industries.

Both organisations see the project developing on similar lines to California's famous Silicon Valley

The Cape high-tech park could employ 3 500 directly and many more on the periphery as suppliers and additional business develop

"We don't want this to be a long way off We are already looking for a big financial institution to come in with us and for a flagship electronics company to get involved," said Mr Pienaar today.

A number of sites are being investigated

"We want to create jobs for the Khayelitsha and Mitchell's Plain people close to the airport and major road and rail links"

The Southern Cape already has a fairly strong high-tech involvement, including the nuclear power station, Armscor's sophisticated installation near Skipskop and the new gas refinery at Mossel Bay

"We believe the Western Cape is perfect for a high-tech industrial park because it has a labour force well suited to science-based industry

The situation was ideal for "clean" industries such as a science-based industrial park, where research and develpment could be done Besides concentrating on electronics it could do research and development for fisheries and other industries

The involvement of three universities was also required, Stellenbosch, UCT and the University of the Western Cape, so that industry could draw on their scientists

Gateway status

The techno-park would be able to manufacture for export There would be none of the transport problems experienced by heavy industries in exporting to the Reef

Wesgro was trying to get "gateway status" for D F Malan Airport and an export promotion zone for the Western Cape, which allowed components to be imported at low tariffs for manufacture and later exported

"We regard it as urgent although our planning has been low-key until now

"It is only when we realise how fierce is the competition we are facing and just how uncompetitive the product of the Western Cape is that we are pushing very hard to accelerate the whole thing

A French high-tech industrial park at Nice, Cape Town's twin city, was visited recently by Mr Pienaar, who described it as most impressive

American giants

"Fifteen years ago it had exactly the same problems as the Cape It was a backwater reserved for tourism and and now it has the biggest area of science-based industrial park in the world"

Companies there included American giants such as IBM and Dow Chemicals

"We have already had long discussions with the Industrial Development Corporation about this park and have become a little impatient with the lack of drive and progress"

There was a considerable amount of proclaimed industrial land in private hands which coduld be used, mostly expensive property.

"We may try to persuade the Cape Divisional Council or Stellenbosch Divisional Council to come in and give us land at next to no cost."

A third possibility was the large tract of Government land next to D F Malan Airport which could serve as a techno-park

Govt 'overkill' attacked

15 5 Dxu1 BC 18/8/85

Durables sector set for a record 40% sales slump

THE durables sector of the retail market is set for a record decline of 40% in the September quarter.

LIZ ROUSE

The forecast is contained in an analysis of the retail sector by the planning resources division of the 67-store furniture chain, Morkels, a Federale Volksbeleggings subsidiary

The gloomy forecast follows the 30,5% real decline in durable goods sales recorded in the June quarter

The analysis — prepared by Derek Russell, general manager, planning resources — predicts real private consumption expenditure will decline by 3,7% in 1985

This contrasts sharply with the 3,1% average annual growth recorded from 1980 to 1984 and reflects the impact of declining real average incomes, high unemployment and the dramatic deterioration in consumer confidence in the past 12 months

This picture is presented against total retail sales at December of R29,04bn of which R3,25bn, or 11,4%, was contributed by the furniture industry

By December 1985 total retail turnover is expected to show a growth of 12% to R31,8bn But the furniture industry is expected growth drop to 10,6% and, at R2,9bn, will account for only 9% of total sales

Projected into the first quarter of 1986, furniture sector sales as a contributor to total retail sales are expected to drop to 7,5%, the lowest on record

The report says that, historically, the durables sector moves in advance of an economic downturn The trend in the present recession has been exacerbated by Draconian measures introduced in August last year in the wake of the GST increase to 12%

"Currently this represents a massive overkill The authorities refuse to recognise that natural forces at work in the market are sufficient to prevent a credit-generated sales boom and, therefore, their failure to return to the Ladofca controls on deposits and terms to pre-August 1984 levels will ensure that these excessive trends persist to the detriment of the durable and furniture industry"

The latest available employment data for the furniture industry show there are 115 000 employees in retailing and 31 979 in manufacturing There have been 13 758 lay-offs in the retail sector and 6 753 in the manufacturing sector, with 6 446 on short-time

The analysis notes that in the first quarter the brunt of reduced spending has been borne by the motor sector, with new car sales down by 35% in real terms Furniture sales were 17% down But this situation was likely to change in mid-year, with furniture sector results likely to decline at a faster rate than those of the motor industry

In the semi-durable sector (clothing and footwear), in which the Morkels subsidiary Totalsports chain operates, there had been a 7,6% decline in sales Though real sales growth rates were forecast to improve towards the end of the year, flash results from retailers for the second quarter warned against "unfounded optimism" of an upturn

During the first quarter of 1985 all retail categories other than groceries and pharmaceuticals recorded a decline in contribution to total retail sales

Even the retail liquor industry had recorded a compound rate of decline over two years of 5%

The report notes that depressed consumer demand is exerting some pressure on price rises In furniture, price increases for the past two years to June 1985 have been contained below 12%, quite inadequate to counterbalance the massive increases in costs brought about by the shock price rises in petroleum products, high interest rates with consequent pressure on housing costs, and the almost uninterrupted upward momentum of the consumer price index over 16 months to 16,4%

Discounting present political pressures, the CPI was expected to decline into 1986

'Repeal discriminatory laws'

Political Correspondent JOS WENTZEL examines the report of the President's Council's economic committee on a strategy for small business development and deregulation

Argus 20/11/85 (140)

THE repeal of discriminating legislation applicable to Asian, black and coloured businessmen has been recommended by the President's Council's economic committee in a report on a strategy for small business development and deregulation

It found that, generally speaking, regulatory measures applying to businessmen proceeded from a negative premise

It recommends that the following guidelines should be adopted in respect of business deregulation generally

"Legislative measures describing standards and entry qualifications in respect of economic activities should be limited to the statement of minimum standards only: and they should emphasise control of business activity after the businessman has entered into that activity, rather than emphasise his meeting certain requirements before being allowed to enter into that activity"

Existing laws

Evidence presented to the committee clearly illustrated the need to examine critically all existing laws, regulations and administrative practices which unnecessarily hampered economic development and especially small business development

The principle of equal opportunities for all communities in business was accepted, but there could be differentiation based on local wishes and requirements

In the case of small businesses the deregulation process should commence immediately through the specific repeal or amendment of a number of legislative measures

Among the committee's recommendations are

- The standardisation of licensing procedures in all the provinces along with pamphlets "in understandable language" to explain the requirements to applicants,
- The review of the requirements of the various authorities especially as regards the requirements concerning premises and health standards,
- Differentiation in respect of zoning and other requirements applying to business premises to be occupied by informal and small business enterprises,
- The specific removal from the requirements that applicants should be able to speak, read or write one of the official languages and should keep comprehensive records on matters not directly essential for compliance with the conditions of the licence,
- The issuing of licences on the basis of the minimum of preconditions allowing the prospective licensee to commence operating without necessarily having satisfied all the local authority requirements such as building and health requirements

The report also recommends the scrutiny of requirements in legislation dealing with machinery and occupation safety, workmen's compensation, unemployment, health and professional and trade restrictions

Many of the standards required were not appropriate to the circumstances of the small industrialist

The report also recommends that the Competition Board should be entrusted with the task of co-ordinating the implementation of an ongoing process of deregulation.

ARGUS 20/11/86

'Drastic new planning of black areas needed'

Political Staff

DRASTIC replanning of black urban areas was needed to encourage black business development, according to a report of the economic committee of the President's Council.

The committee has called for urgent amendments to legislation dealing with the establishment and town planning schemes for blacks

The committee said it had been struck by the restrictive effect of the physical layout of residential areas on the business development of Asian, black and coloured communities

The problem had been created because Asian, black and coloured areas had been primarily developed as satellite residential areas witrh commercial activities centred on the white areas

The committee recommended that in reviewing township layouts specific attention should be given to

- The creation of centrally situated core business areas,
- The establishment of administrative, cultural and social services in the core areas to encourage spontaneous gravitation to the areas,
- The introduction of urban renewal measures to create opportunities,
- The design of hierarchic street patterns to enhance the core concept,

The committee also recommended that in higher order streets mixed land use should be permitted to enable small businessmen to carry on selected commercial or manufacturing activities on the sites where they live

The Argus, Wednesday

Spectrum

AK645 20/11/85 (180)

HE PRESIDENT'S COUNCIL

PC urges equal business opportunites for all races

Political Staff

HE President's Council has ecommended the scrapping or djustment of a number of im- ortant apartheid laws, includ- ng the Group Areas Act, to reate equal business opportu- ities for all race groups

In a report tabled in the 'resident's Council today, the ouncil's economic committee ıas called for the appointment f a technical committee by the Department of Constitutional Development to investigate urgently legislation and required ammendments affecting racially discriminatory business practices

The committee could not reach total agreement on the future of the Group Areas Act and has left the problem to the constitutional committee of the council

The committee has however recommended that the recent amendments to the Group Areas Act be extended to open all business areas to all race groups wherever they are

The committee's report says some of the members were outspoken in their criticism of the act and pointed out that it restricted the opportunities of Asian, black and coloured businessmen and was in conflict with the principles of a free market economy

Other members said the act had advantages as it had provided opportunities that would not have existed if only market forces were the determining factors

The committee said procedures in opening up business districts should be constantly reviewed "so that delays in obtaining proclamations can be minimised and access to business premises expedited"

The economic committee agreed with the recent report of the council's constitutional committee that the influx control regulations in the Blacks (Urban Areas) Consolidation Act should go

This act and the Black Administration Act should be "critically examined and amended to bring about a situation where black businessmen are governed by measures which are equivalent to the provincial, local government and other provisions applicable to whites"

The committee calls for the introduction of full land ownership rights for blacks but without the abolition of existing rights such as 99-year leasehold which were cheaper forms of land tenure.

ARGUS 20/11/85 The President's Council IFU

'Equal participation, less restriction'

Political Staff

SOUTH Africa's economic policy should be based on equal participation with less administrative restriction, the President's Council's economic affairs committee has recommended

The 125-page report on a strategy for small business development and deregulation was unanimously accepted by the committee under the chairmanship of Dr F P Jacobsz

In setting out the basis for economic policy the committee said the philosophy underlying the policy should be the fundamental importance of employment in creating economic growth, particularly in the formal sector

The general approach to economic policy should be a minimum of restrictions on entry into small business, the removal of restrictions on the basis of race and a constant review of policy measures on small business

The committee also recommended that South Africa's development policy should have as a principle that entrepreneurial talent in the informal sector should be nurtured and not persecuted

The members of the committee were Mr F J Potgieter, vice-chairman, Mr G D Bornman, Mr P P M Chetty, Mr C M Collis, Mr J M Henning, Mr D J Hough, Mr E Ismail, Mr P J Klink, Mr P Hartuman, Mr J A Pickard, Mr C J Pierce, Mr I J Pinshaw, Commandant L F Poorter, Mr T D Potgieter, Mr J G Rennie, Mr D J Smit, Mr F E Swartz and Mr J Wilkens

AK6GI 20/11/85

'Moderate financial assistance'

Political Staff

MODERATE financial assistance for small business was required to overcome the serious effect of the recent high interest rates the economic committee of the President's Council has recommended

The committee found that high interest rates and taxes were making it difficult for small businesses to survive

The committee made no recommendations on the tax structures but referred evidence dealing with the issue to the Margo commission of inquiry

The committee said it accepted that capital was scarce in South Africa and that abnormally low interest rates were not in the best interests of the country

However the recent high rates had a "serious discriminatory effect on the small business sector and have therefore damaged the long-term growth potential of the country

To counter this the committee recommended moderate government financial assistance

Small business also faced the problem that it did not have access to the capital market

To overcome this the committee recommended that the Small Business Development Corporation issue bonds and that it provide credit guarantees

The Argus, Wednesday Nov

ARGUS 20/11/85

(180)

INDUSTRY

Manufacturers' profits slashed

DEREK TOMMEY
Financial Editor

PROFITS of manufacturing companies in the June quarter were 26 5 percent lower than in the same quarter last year figures issued by Central Statistical Services show

Net profits were R1 176 million which compares with R1 178 million in the March quarter and R1 603 million in the June quarter last year

But in spite of the poor results in the June quarter shareholders did comparatively better than a year ago Dividend payments were raised 54,9 percent from R164,1 million to R254,4 million

The Receiver of Revenue did not do so well Tax payments dropped 17 6 percent from R446,9 million to R368,2 million

Interest payments by the manufacturing sector in the June quarter, amounted to R861,2 million which was R110 million more than in the same quarter last year

But interest payments should now fall following the 34 percent reduction in the prime overdraft rate since May

Expenditure on assets in the June quarter totalled R1 221 8 million This was more than the R1 078 9 million in the March quarter and also more than the R1 041 6 million spent in the June quarter last year

The lion s share went on plant machinery furniture, fittings and other equipment The outlay here was R942,3 million against R822 6 million in the March quarter and R797,4 million in June 1984

Expenditure on vehicles was down slightly to R101,9 million from R102 9 million in the March quarter and R103,9 million in the June quarter last year

Meanwhile the latest manufacturing output figures show that since the June quarter production has started increasing

The index of of physical output for the September quarter was 124 6 which was 4,0 percent higher than in the June quarter index of 119 7

However this recovery is starting from a low base The September index was 5 4 percent below the year ago figure and 15 1 percent below the peak index figure of 140 3 reached in mid-1984

An analysis of the production figures for September shows some sectors are producing more than a year ago These include the manufacturers of rubber products (+8,5 percent) basic iron and steel (+4,4 percent) textiles (+2 2 percent) and foodstuffs (+2 1 percent)

But on the other side of the coin production in a number of sectors was down sharply on a year ago

PC finds a 'jungle' of rules

Cape Times 21/11/85

180

By BARRY STREEK

AN investigation by the President's Council has concluded that there is "a veritable jungle" of regulations and legal requirements stifling new businesses in South Africa

The economics committee of the President's Council said in its report on regulations governing small businesses that many of the regulations applied only to specific population groups, particularly black people

The results of case studies indicated that "Asian, black and coloured businessmen are often subject to additional regulation provisions besides those facing the white businessman"

In their report, which was released yesterday, the committee said it was "generally acknowledged that the South African economy has come to be regulated to a point where regulations and procedures for their implementation are restricting private initiative and economic development"

It recommended that "discriminating legislation applicable to businessmen of the Asian, black and coloured population groups be repealed or amended insofar as may be necessary to achieve a situation where all businessmen in South Africa operate their businesses in terms of procedures and subject to standards which are in all respects equivalent, providing that existing alternative standards which are less costly and more simple should be retained without distinction on the basis of race to take into acccount the needs of developing communities in South Africa"

The committee urged the acceptance of the principle of equivalence for all businessmen

It called for the appointment of a technical committee with private sector representation to conduct a detailed investigation of the required amendments of legislation to promote equivalence as a matter of urgency

It said the Competitions Board should be entrusted with the task of co-ordinating an ongoing process of deregulation

The committee concluded that most of the deregulatory measures could be carried out through the suspension or repeal of the applicable legislation

'Flexibility'

However, "to ensure that deregulation of this nature is speedily implemented", the committee recommended that the State President should be given special powers which will enable him to suspend the operation of legislation pending the next session of Parliament

"The committee sees as the major advantage of such a system the fact that legislation would not necessarily be repealed, and could be reintroduced or reapplied in part or to certain categories of business or activities

"Greater flexibility would be the result."

Pollsmoor Prison appeared for the State Attorney

CAPE TIMES 25/11/85

Equality plan for business

By BARRY STREEK

A BOLD plan to remove all racial restrictions on businesses, reduce the number of regulations on small businesses and increase the involvement of blacks in the economy was published yesterday by the Economics Committee of the President's Council

Dr Piet Koornhof, chairman of the President's Council, said at a press conference the aim of the report was "to involve greater participation of all the people in the economic system".

"My wish is that this report will make a great contribution to more employment in South Africa

"The more you get into the system the better — and the longer they stay there the better," Dr Koornhof said

The committee called for the urgent appointment of a technical committee to remove racially discriminatory measures and urged that it be replaced by a policy of "equivalence" for all businessmen

It said that "a large number of legislative measures apply solely in respect of Asian, black and coloured entrepreneurs and are both discriminatory and restrictive".

The committee called for an ongoing process of statutory deregulation and the examination of "all existing laws, regulations and administrative practices which unnecessarily hamper economic development and especially small business development"

It recommended that the State President be given powers to suspend the operation of legislation regarding small enterprise and bigger business, pending the next session of Parliament, to "speed up the process of deregulation".

● More reports on PC publication, page 15

crack of dawn

"I think what Louis means is the fewer the pictures the better the unrest picture looks."

BUSINESS BRIEF

Gold (close)	$325,75
Rand	$0,3705/15
FT index (close)	1106,00
BD 100	1088,30
Dow Jones	1439,22

PC: Scrap group areas for all businesses

Cape Times 2/11/85 (180)

Political Staff

ALL racial restrictions on businessmen — including the Group Areas Act — should be scrapped, the Economics Committee of the President's Council has recommended

In its report, which was released yesterday, it emphasized that it "supports the principle of full and free participation in economic activities by all population groups"

The committee said the aim should be that Section 19 of the Group Areas Act — which removes racial restrictions on businesses — should be applicable to all business and industrial premises.

Its report said: "Access to markets is a fundamental precondition for participation in economic activity. Any restriction on access would represent an overriding inhibition on the development of small business

"For Asians, blacks and coloureds the Group Areas Act, 1966, is a fundamental problem because it restricts their right to establish and operate business concerns in the economically-dominant areas of the country

"The Act is in direct conflict with the objective of increasing the participation of economically less-developed communities and of improving their perception of the merits of the free market system

"Privileged access for white businessmen to economic activity cannot be reconciled with the true nature of the market, which recognizes only the ability to pay and the ability to supply."

The committee also warned against the 'local option' inherent in the implementation of Section 19, which enables all races to trade in open business districts, because of the role local authorities had to play as the applicants for the establishment of free trade areas

'Local option' warning

"This 'local option', as it exists in practice although not on the statute book, could work against the economic participation of Asian, black and coloured business communities in those towns and cities where attitudes are not sympathetic to the accommodation in business of these communities

"The committee wishes to point out that in a economically-integrated society the economy is indivisible and group restrictions on access to business can hardly be regarded as being in the best interests of society as a whole and of the developing communities in particular."

It also noted the presence of "an awareness of the negative effect of racial prejudice on the development of entrepreneurs in particular communities"

Political solutions a prerequisite

Bus DAY 24/12/85

180

Few pointers to economic recovery in '86

ANDRE VAN ZYL

MOST economic regions appear to be in limbo, with few indications of recovery.

The mood, however, is resolute rather than desperate, with most heads of organised business looking for political solutions to their problems.

The index of physical volume of production has levelled off, the latest figures released by the Central Statistical Services show (see top graph).

The index for July to September dropped 5,9% to 125 points from the figure for the same period last year. This represents a fall of 0,9% to a figure of 117,8 in seasonally adjusted terms. The base year for the index (100) is 1975.

Although the bottom graph shows a steady rise in the value of goods sold, the rise is due largely to the declining buying power of the rand.

A graph showing the increase in real terms would be a great deal flatter.

After a year which made a mockery of economic predictions, few businessmen are venturing forecasts. These are some general indications from the various economic regions.

□ Transvaal industry is still going through its worst crisis in memory, says Transvaal Chamber of Industries president Tony Ewer.

Turnovers in his chamber's region, which accounts for 65% of SA's industrial activity, have dropped 20% to 40% and virtually every industry has had to lay off workers, some as much as 30%.

He says many companies are battling to survive and some may not re-open their doors after the festive season.

However, Ewer believes the Transvaal is doing better than most other regions. Among industries doing reasonably well are specialised steel, mining supplies and building finishing.

He believes too much blame is attached to government policies and not enough to companies' own failings.

He says few took note of the warning signs of economic difficulty, companies were not financially trim enough and, when the crunch came, it was deeper and more serious than expected.

It is time for business and government to put their heads together to find solutions to inter-related political and economic problems, he says.

□ Northern Transvaal Chamber of Industries executive director John Toerien is loath to assess next year's economic potential.

A good summer maize crop, the determination of political and economic priorities, and a programme to achieve these objectives would contribute materially to attaining a growth rate of 3%, albeit from a low base, he says.

He agrees that constitutional developments will play a major role in stabilising the economic and business situation.

□ Natal — Slightly improved conditions were experienced in several sectors of manufacturing industry during the last quarter, says Natal Chamber of Industries executive director Roland Freakes.

He says there has been considerable rationalisation in many sections of the region's industry and that considerable retrenchment of workers is continuing.

Exceptions to the general pattern of depressed conditions are a few export-oriented industries which are enjoying reasonably buoyant conditions, assisted partly by the low value of the rand.

Generally, the manufacturing sector is not optimistic about prospects for the first part of 1986. Forecasts are coloured heavily by political imponderables.

Says Freakes: "On the positive side, the recent submission to Constitutional and Development Minister Chris Heunis of important proposals for co-operation and joint decision-making for 'KwaNatal' on a number of issues of common interest has given rise to an air of expectation and hope that a new vista will be opened up which will include the development of power-sharing.

"We hope the 'KwaNatal' example will provide inspiration to other regions seeking appropriate local solutions in their own areas."

□ Free State companies have reported a slight increase in activity, and there are expectations of further growth.

Unemployment figures are below the national average, largely due to the importance of the informal sector, industry leaders say.

Bloemfontein and outlying areas are experiencing encouraging consumer spending because of factors such as good rainfall, loan levy cheques, railway bonus-payouts and local buy-aid bonus cheques, says Bloemfontein Chamber of Commerce president Ron von Klonowski.

This surge has come too late to achieve results planned in the retail sector, but farmers are more confident.

He says that without improved consumer spending, 1986 could be a tough year which could see numbers of commercial and industrial enterprises falling by the wayside.

□ Western Cape industrial activity seems to be picking up, and some industrialists think the economic situation has bottomed out.

However, Cape Town Chamber of Commerce president Andrew Peile says if 1985 has been a demanding year, 1986 is likely to be even more so.

The drastic devaluation of the rand and the import surcharge have caused major problems for importers, but could, in the medium to long term, be seen as opportunities for import substitution in certain areas, says Peile.

He says the region's businessmen are apprehensive about the effect of the proposed regional services councils, which he believes are likely to increase tension, bureaucracy and the tax burden.

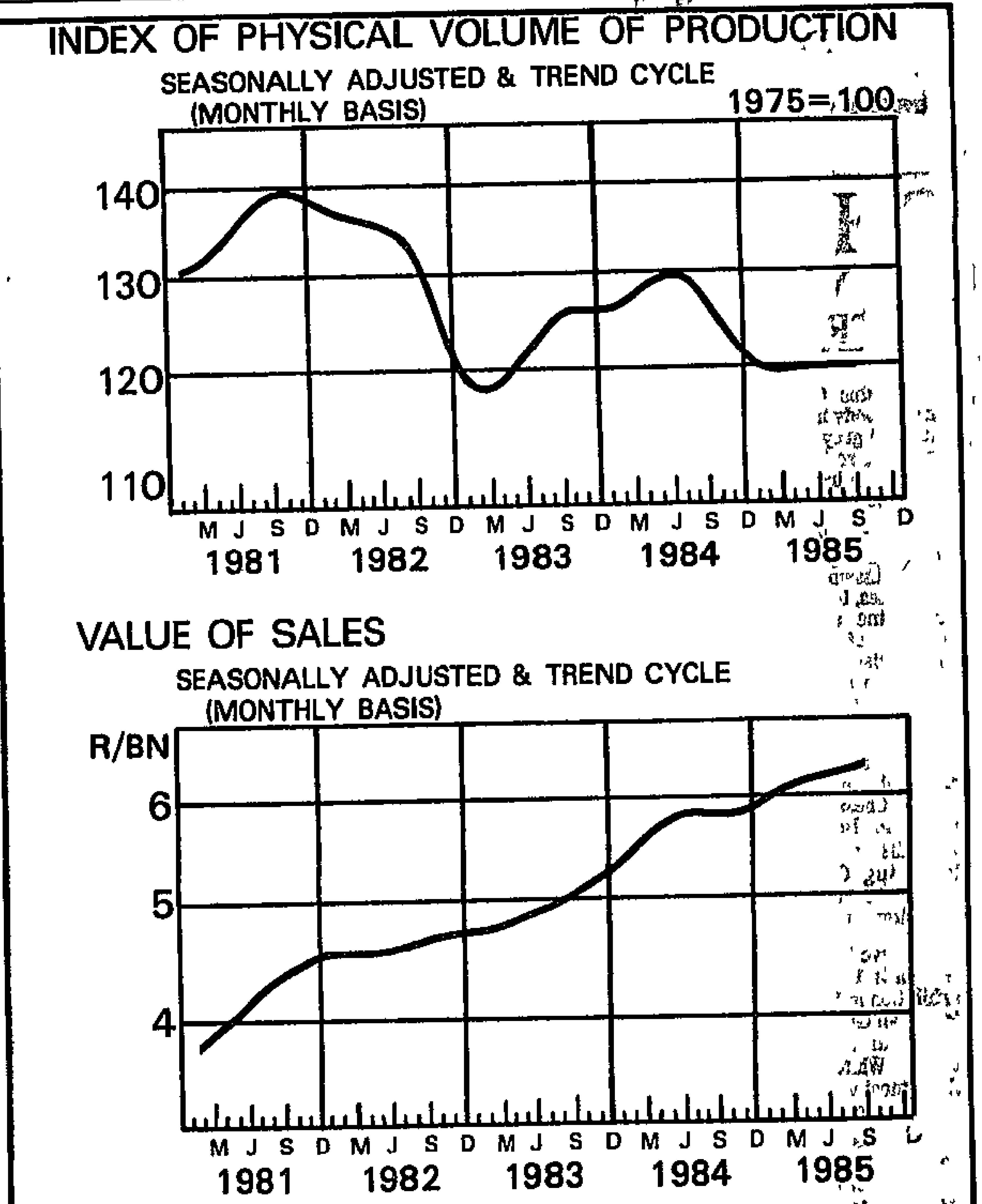
□ Eastern Cape — Port Elizabeth Chamber of Commerce president Frank Wightman says unemployment in the area, particularly around PE, is inordinately high.

Specifically, there is continued speculation in the motor industry over further manufacturer rationalisation, retrenchments and unemployment.

However, Wightman believes there is an air of optimism in PE as local organisations strive to attract industry and commerce.

Retail sales are running above last year's in real terms, helping traders affected by the economic downturn, and giving them a stronger base for next year.

Says Wightman: "What is essential in 1986 is to create employment, particularly among black people in the area. With greater employment, more funds are circulated and more opportunities are created. And, as the saying goes, activity breeds activity."



SEMI-LOGARITHMIC SCALE

Source CENTRAL STATISTICAL SERVICES

Thriving industrial complex is set up in the Drakensberg

BUS DAY 31/12/85

(180)

WINNIE GRAHAM

A THRIVING industrial complex has been established in the Qwa Qwa homeland

In the few years the tiny country has existed, 168 different industries have been established on the foothills of the Drakensberg mountains, providing work for many of the 250 000 inhabitants

A group of journalists on a recent visit to Qwa Qwa was shown the various goods being produced in factories there. An exhibition had been laid on for their benefit.

Furniture

The first person the Press met was a slight, black man standing modestly next to a yellowwood grandfather clock he had made.

His name, he said, was Johannes Mafa and he had created the clock, as well as the Oregon pine dresser and the other furniture on display

He knew about furniture, but he could not read or write — or speak English. He invited us to show him a picture of any piece of furniture we would want made and he would copy it in faithful detail.

His craftsmanship was undeniable. Afterwards we were told that he had come to the Qwa Qwa development board about three years ago, asking for assistance to set up a factory He had disliked his work as a farm labourer and said he could make a go of his own carpentry business

The board gave him the chance he wanted and Mafa opened a factory Today he employs seven people and is fast making a name with his hand-crafted furniture

In the same exhibition hall a young white couple displayed clothing they are making at their Qwa Qwa factory Suzanne Meyer, 27, and her husband, John Pistorius, own "Sumae Clothing"

The enterprising Suzanne had started a clothing factory in Johannesburg with a R1 000 gift she received as a 21st birthday gift. Eighteen months ago, she and her business manager husband moved to Qwa Qwa

A designer by inclination, Suzanne had come up with a winner — a winter coat made from Basotho blanketing It is a line so popular she is often being stopped in the streets of Johannesburg by fashion-conscious women who want her coat

"They beg me to sell it off my back," she says "Yet, when I first made a blanket coat, it was purely experimental"

The coat is not on sale in South Africa. She says the difficulties in marketing it here have encouraged her to look overseas for buyers and she and her husband are now in the process of buttoning up an export contract.

When the coats go into full production, she will buy bales of blanketing from the Standard Woollen Mills in nearby Harrismith

Boxer shorts

Meanwhile, her 70-strong staff are kept busy with the CMT (cut, make and trim) of more conventional items such as boxer shorts

The Qwa Qwa exhibition revealed that local people were making items ranging from lead crystal glass and farming equipment to carpets and rugs and soft toys. Whites and blacks, Indians and immigrants all run factories in the non-racial homeland.

Qwa Qwa is hardly the hub of South Africa, but its decentralisation is a point in its favour.

MANUFACTURING — GENERAL

1986

FEB — SEPT. →

Japanese method 'right for SA'

12/2/86 (180) BUS DAY

Industrial Staff

JUST-IN-TIME manufacturing techniques have a place in SA industry, says director of manufacturing and development at GEC, Dave Carstens

This Japanese technique is designed to provide high-speed, quality-controlled production against firm orders — with an extremely limited on-line parts inventory.

Carstens says SA management style enhances the viability of the technique, because managers are versatile and expected to have a wider range of skills and attributes than those expected abroad.

On the other hand, this means they have no time to manage in depth "This results in poor follow-through and completion", Carstens says.

The simplicity of the JIT technique could counter this, he says.

"JIT can be considered to be a war on waste."

Greater involvement of the workforce in self-imposed quality control also helps.

"JIT can work totally satisfactorily only if all folk are involved," Carstens says.

This increases shop-floor responsibility and allows for "pro-action rather than the traditional reaction" in supervisory functions.

‘Deep-seated structural problems’

STAR 12/3/86

FCI head calls for industrial strategy to save jobs in SA

180

By Michael Chester

Urgent moves to develop new industrial strategies had become vital if South Africa hoped to reverse trends wiping out jobs at the rate of 40 000 a year, Dr Johan van Zyl, chief executive of the Federated Chamber of Industries, said yesterday

Among the strategies should be action to press ahead with the privatisation of a number of state enterprises and the sweeping away of regulations that hamstring the private sector

Dr van Zyl was delivering the keynote opening address at a special three-day national management convention in Sandton called by P-E Consulting Services to try to formulate a new industrial blueprint It is under the banner "Manufacturing — the way ahead"

Political issues had made a serious impact on the economic scene, he said, but there were also deep-seated structural problems within the manufacturing sector also to blame as the sector fell far short of targets set out in the current economic development plan

DUAL ECONOMIES

South Africa needed the sort of trust and cooperation between the Government and the private sector that had forged the economic success of such countries as Japan and Taiwan

A priority was a fundamental shift in policies to promote small and informal businesses to create more new jobs and encourage dual economies inside urban areas

The elimination of influx control was crucial to positive urbanisation strategies aimed at boosting economic growth and resolving socio-political problems.

Privatisation and deregulation in housing, health, transport and education should be going hand in hand — turning tax consumers into tax producers

COOPERATION

At the same time, the Government should launch special assistance programmes to encourage structural changes in the manufacturing sector and channel more resources into modernisation, productivity improvements, high technology and better labour utilisation

"What is perhaps needed above all is a new interface between the private sector and government, effectively harmonising private entrepreneurship with Government persuasion and resources," he said,

Conference told of 2 000 controls which hamper entrepeneurs

By Michael Chester

Thousands of unemployed black workers anxious to launch their own small business ventures were blocked by a tangle of no fewer than 2 000 controls that needed to be bulldozed out of the way, a business conference heard yesterday

Urgent pleas to the Government for faster action in removing obstacles still faced by the informal sector were made by Mr Sy Kutumela, chairman of the education and training committee of the National African Federated Chamber of Commerce.

He was addressing a national management convention held in Sandton by P-E Consulting Services to devise radical strategies to improve the current political and economic climate and set the manufacturing sector on a new course

Mr Kutumela said while the informal sector had the potential to act as a powerful generator of new jobs to curb the unemployment crisis, most operations were harrassed by regulations and statutes that officially branded them as illegal

Victims ranged from pirate taxi and shebeen operators to street hawkers and backyard mechanics

Though a growing list of overseas economies now recognised the crucial importance of small business initiatives in the informal sector, it was hard to imagine a more hostile environment than the South African discouragement of independent entrepreneurship

DICTATED

Even if "by a miracle, young blacks retained a spark of entrepreneurial flair", they confronted hundreds of statutes blocking their path in business

- Applications for business licences often took up to three years
- Controls dictated what they sold, prices charged, premises to be used, interest levels on loans, whom they employed, what hours they worked, where profits went, how much they must pay the state
- Whole areas of business activity were blocked to them completely
- Competition was not allowed against numerous private and public sector monopolies and cartels

"Even if, in theory, it is a business sector in which they are permitted to compete, the rules and regulations have often so enormously increased all costs of entry that the opportunity is effectively barred to them anyway," said Mr Kutumela

Taiwan and Hong Kong were among a long list of countries that had proved big business alone was unable to create all the extra jobs needed in their economies

South Africa had yet to learn it was the creation of more small businesses and the encouragement of the informal sector that held the ultimate solutions to unemployment, he said

BDAY 13/3/86

180

MANUFACTURING CONVENTION

Black consumers 'poorer'

JOHANNESBURG's business community should beware of the notion that the black consumer market was about to "take off", said Professor Jeremy Keenan of Wits University.

● KEENAN

Speaking at the Manufacturing Management Convention yesterday, the social-anthropology professor said business bodies had accepted government data, concerning urban blacks during the "reform era" of 1978-1986, too uncritically.

The black market had been a central concern of Johannesburg retailers for the past 100 years, he said.

Industry Reporter

"We are still being told stories of how the sleeping giant is going to awake."

Keenan's socio-economic profile of Soweto households over the past eight years showed some households had improved their situation, while a larger number had fallen below the poverty line.

His study showed that in Moroka, where household sizes had been reduced by about 15% since 1978, real per capita income at the end of 1985 had grown by less than 1%. Income last year was lower than it was in both 1981 and 1982.

In Phiri, where household sizes had decreased by 8% since 1981, per capita income had declined by 14% since 1981 and by 25% since 1982.

In White City, the declines had been 3% and 17% respectively.

The situation, said Keenan, was likely to deteriorate further during the next year, as wages would fall in real terms while unemployment would remain the same.

Keenan stressed that business should get rid of the notion presented by the State that the economic situation of black households was merely the result of a current, temporary economic downturn.

"The economic situation of blacks has shown little or no sign of significant improvement since the mid-70s," he said.

Key indicators, he said, suggested the aggregate situation had probably deteriorated.

SA firms 'need to learn from Japan'

3 DAY 12/3/86

180

Industry Reporter

SOUTH AFRICAN firms have much to learn from Japanese exporting strategy, says Professor Manie Spoelstra of the Unisa School of Business Leadership.

Speaking at the convention yesterday, he said local product and market developers should team up to select and exploit local and overseas markets.

"SA firms can no longer afford to only concentrate on agricultural and raw material export," Spoelstra said, adding they should learn new marketing skills and re-learn old ones.

Identifying and developing markets, he said, required different skills from selling in well-established markets.

"Strengths and advantages must be appraised in the context of what customers, retailers and distributors need, want and appreciate," he said.

Scant attention to research and development at many local firms was the cause of a gap between customer needs and goods produced.

Key factors in the Japanese market leadership in many industries were isolated as good business practices, unfair business practices, structural factors and good luck.

- Good business practices included effective decision-making procedures;
- Unfair business practices included visible and invisible trade barriers for Western firms trying to enter the Japanese market;
- Structural factors involved close working relationships between government, business and labour;
- An example of good fortune was the price of oil shooting up as Japan was entering the small car market in the US

Spoelstra emphasised Japanese marketing strategies and said that market selection was dictated by lack of natural resources, scarcity of land and the existence of skilled and loyal labour.

Japan therefore focused on industries that required high skills, high labour intensity and small quantities of natural resources.

"The Japanese choose product market sectors where competitors are unable or unwilling to respond to their market entry," he said.

'Burden of apartheid'

Industry Reporter

BUSINESS would be able to thrive in an atmosphere of positive growth only if all the vestiges of grand apartheid were removed.

That's the view of University of SA (Unisa) law professor Marinus Wiechers who said the removal of petty apartheid measures would go a long way to alleviate the burden under which business laboured.

Addressing the convention yesterday, Wiechers said the scrapping of influx control and the eventual abolition of the Group Areas Act would remove many of the obstacles in the paths of business.

"The Bill presently under consideration, which will provide the temporary removal of restrictions on economic activity, must be welcomed. Thus, even though from a judicial point of view it is a far-reaching emergency measure which conflicts with the fundamentals of the constitutional state," he said.

Wiechers said discriminatory laws affected business because the possibility of free movement and choice of work and training was severely curtailed.

He said racial laws had indirectly affected business more severely. "Laws restricting movement and residence have a detrimental effect on overall productivity since they often lead to absenteeism, job insecurity and bureaucratic delay. Discrimination laws have created an atmosphere of distrust and discontent which engender actual resistance and resentment in the form of boycotts and labour unrest," he added.

12/3/86 180 BDAY

FCI call to revamp plan for industry

Industry Reporter

GOVERNMENT efforts to redefine SA's industrial strategy had been inadequate and must again be adapted, according to Federated Chamber of Industries' CE Johan van Zyl.

He told the Manufacturing Management Convention in Sandton yesterday that government would have to become less involved in the economy if problems linked to the industrial strategy were to be resolved.

Less government intervention in private sector decision-taking and deliberate steps toward deregulation and privatisation were of utmost importance. Legal and other constraints burdening private manufacturing would also have to be removed.

"The growth of the manufacturing sector is an important element in SA's development. It is closely linked toward the process of capital deepening, employment generation and of increasing standards of living

"In the last decade things have not gone well with the manufacturing sector. It has grown much more slowly than it should have in terms of investment, output, employment and productivity."

Van Zyl said the future growth of SA industry would rest on the ability to solve structural problems.

More risk ventures and job creating enterprises are essential — Ironside

180

12/3/86 STAR

By Gareth Costa

The deployment of more of the available capital resources into risk ventures and job creating enterprises is essential to stimulate the economy and eventually replace traditional investment by overseas entrepreneurs, says Mr Ron Ironside, past president of the Federated Chamber of Industries

Mr Ironside, speaking at the 1986 Manufacturing Management Convention in Sandton, said that as a developing country South Africa has some sophisticated sectors within its industrialised economy.

Until the onset of the recessionary conditions, the growth rate in the manufacturing sector for the period 1976-1986 was heading for a higher average level than that of the GDP, with indications that its contribution to GDP would be increasing

He said that a matter of high priority was now to restore the sector's capability to expand its contribution from the present 25 percent to 33 percent of GDP

This is the level in most industrialised countries.

The object of this is to move away from the country's reliance on mineral-based sources of revenue

In order to do this more research must be done into three basic areas, namely the development of industrially orientated communities, an in-depth assessment of all natural and human resources available and the identification, transfer and adaption of selected technology most beneficial to SA's need for expansion of economic activity.

Addressing the first issue, MR Ironside said that a feature of industrialisation worldwide is the "evolution of communities, properly orientated towards providing industrial labour requirements as an acceptable manner of earning a living and making a contribution towards the welfare and progress of the overall society of which they are a part"

He added that managers must open up relationships with employees in order to alleviate the "still negative perceptions of workers regarding their employment and the workings of the free enterprise system.

PARTLY USED

"SA's latent industrial capability is being only partly used, the resources under-utilised and its domestic market only a fraction of what it might be," said Mr Ironside

The solution to this problem is in the investment in "human capital", not only through academic education, but by upgrading national capability, increasing employment and enhancing the skills of SA's workforce

Mr Ironside said that what is needed is an inventory of SA's national assets and a co-ordinated matching up of these in combinations which will improve the productivity of both capital and labour, and harness and direct the resources in the most effective patterns.

He added however, that any policy decided upon which failed to recognise the need to restore and maintain the balances within the economy which preserve industries, create jobs and permit exports, or minimises the vital role of the private sector will be totally unacceptable

Also the national workforce will have to be convinced that the resultant improved productivity and competitiveness in both local and export markets are essential to survival and also that there will be benefits for them as well

Ellerine calls for liaison with govt

25/3/86 BDN (180)

MERVYN HARRIS

A CALL for better liaison between government and the private sector, to prevent the unilateral imposition of restrictive and other measures, has been made by Ellerine chairman Eric Ellerine

He said in his annual review that restrictive measures imposed by government on credit agreement transactions constituted one of the reasons for the company's poor sales performance during the first eight months of last year.

However, government withdrawal of the restrictions had led to a dramatic increase in sales for the last four months of 1985 and this trend had continued for the first two months of the current financial year.

He said prospects for the group were extremely favourable under reasonable trading conditions. But if political unrest continued to escalate and the economy retrogressed, the company would be hit, as a large part of its business was conducted with the less affluent socio-economic groups.

Ellerine withstood the difficult trading conditions better than its rivals, posting an 18% increase in earnings to 180c (152,2c) last year.

The improved rating of the company has been reflected in the surge of the share price, from 700c to 960c, over the past two months.

Fcl.

May Day

CWIU

27 Feb

20 Feb

Little enthusiasm for PW's conference plan

BUS DAY 25/4/88

President P W Botha's recent suggestion that another major conference be held with businessmen has led some to believe that existing avenues of communication between government and business are not working. JOHN TILSTON reports ...

BOTHA

THERE is a depressing sense of *deja vu* about President P W Botha's suggestion that another conference of businessmen along the lines of the Carlton and Good Hope conferences be held later this year.

More importantly, it strongly suggests existing mechanisms for obtaining private-sector views are not working.

Despite some public expressions of welcome for the opportunity to exchange views, privately businessmen are not impressed.

As one senior businessman recalled "There was a rush to buy air tickets for Carlton and Good Hope. Now we are asking why is there a need for another conference? Mechanisms exist through which the views of businessmen are well-known. Is this just another PRO exercise?"

The Good Hope conference was apparently characterised by a frank and full exchange of views. Senior businessmen such as Harry Oppenheimer and Fred du Plessis expressed their views to the full Cabinet and senior state employees with no holds barred.

A businessmen who was there said "If the President doesn't know businessmen's views by now, he never will. Anyway, at these huge meetings and luncheons no serious debate can get going. Too many spout a lot of tripe, or trot out their well-known hobby horses."

In theory, one of the prime vehicles for private-sector input into economic policy is the President's Economic Advisory Council.

The council was restructured last year to include many top businessmen and exclude representative bodies such as FCI, AHI and Assocom. Professional economists were also excluded.

Its members now include Barlow's Warren Clewlow, De Beers' Julian Ogilvie-Thompson, Toyota's Colin Adcock, Sasol's Joe Stegman, Altech's Bill Venter, Gold Field's Robin Plumbridge, SAB's Meyer Khan, Volkskas' Pieter Morkel and Sanlam's Fred du Plessis.

Council chairman Kerneels Human told *Business Day* that "the State President attends many of our meetings and he is fully informed about differing viewpoints in the council."

The eminent council members are presumably on the probable conference guest list — such is their stature they could hardly be excluded. Yet according to Human, Botha is already aware of their views.

Although official circles deny it, there is doubt about how well the EAC is working. Said one senior businessman, who does not serve on the council but is close to several who do: "Although it has some very good people serving on it, and I believe some good work is being done in the sub-committees of which the general public is not aware, the main council cannot be considered an economic advisory body."

One of its critics suggested it was floundering because of its unstructured nature. Members were selected to represent specific industries but there was no formal structure for gathering consensus within the industry.

He said the council needed bodies such as Assocom, FCI and AHI, which are skilled in reaching consensus among businessmen.

A more sensitive issue is that of the chairman. A leading businessman said the EAC needed a strong chairman to function effectively. Previous chairmen like Simon Brand and the late Piet Rieckert were very effective. But, good businessman though he is, Human cannot really be objective. He is too beholden to Fred du Plessis.

Human is chairman of Federale Volksbeleggings, firmly within the Sanlam empire.

R120m complex planned for Cape Flats

Cape Times 8/3/86

By AUDREY D'ANGELO

A CAPE TOWN business consortium has announced plans for a R120m retailing and industrial complex to serve Khayelitsha, Mitchells Plain, Mandalay, Lansdowne and a wide area of the Cape Flats

The site, covering about 36 hectares, is at the intersection of the N2 and the Cape Flats freeway

Cape Town financiers Mr Willem Stronck and Mr Barry Fletcher, who head the consortium, said this week that the project would include one of the largest shopping centres in the Western Cape on a four hectare segment of the site

It would have two large stores tenanted by national chains, possibly with black and coloured shareholders on the same basis as the Mitchells Plain Pick 'n Pay

The stores would be linked by a colonnaded mall of line shops let to tenants of all races including residents of Khayelitsha

There would be a 300 m² line of stalls, creating a market atmosphere, where it was hoped that local people carrying on informal business of all types would sell their products

The industrial park would have 84 sites covering both light and heavy industry

These would range from 12 500 m² to 2 000 m² and although large firms were expected to open factories there it was hoped that some black industrialists would also start up

Caltex had already taken up an option to build a 2 000 m² service station on the corner of Lansdowne Road and the service road to the shopping centre

"The Caltex decision to back the project will definitely contribute to a better living style for local residents, who currently have no petrol facilities," Mr Fletcher said

He and Mr Stronck emphasized that they hoped people of all races, including whites, would shop and work in the area

But it was important that the project would provide work opportunities on their doorsteps for thousands of Khayelitsha people, as well as good local shopping facilities.

"Black people have had to spend hours travelling to and from work for far too long"

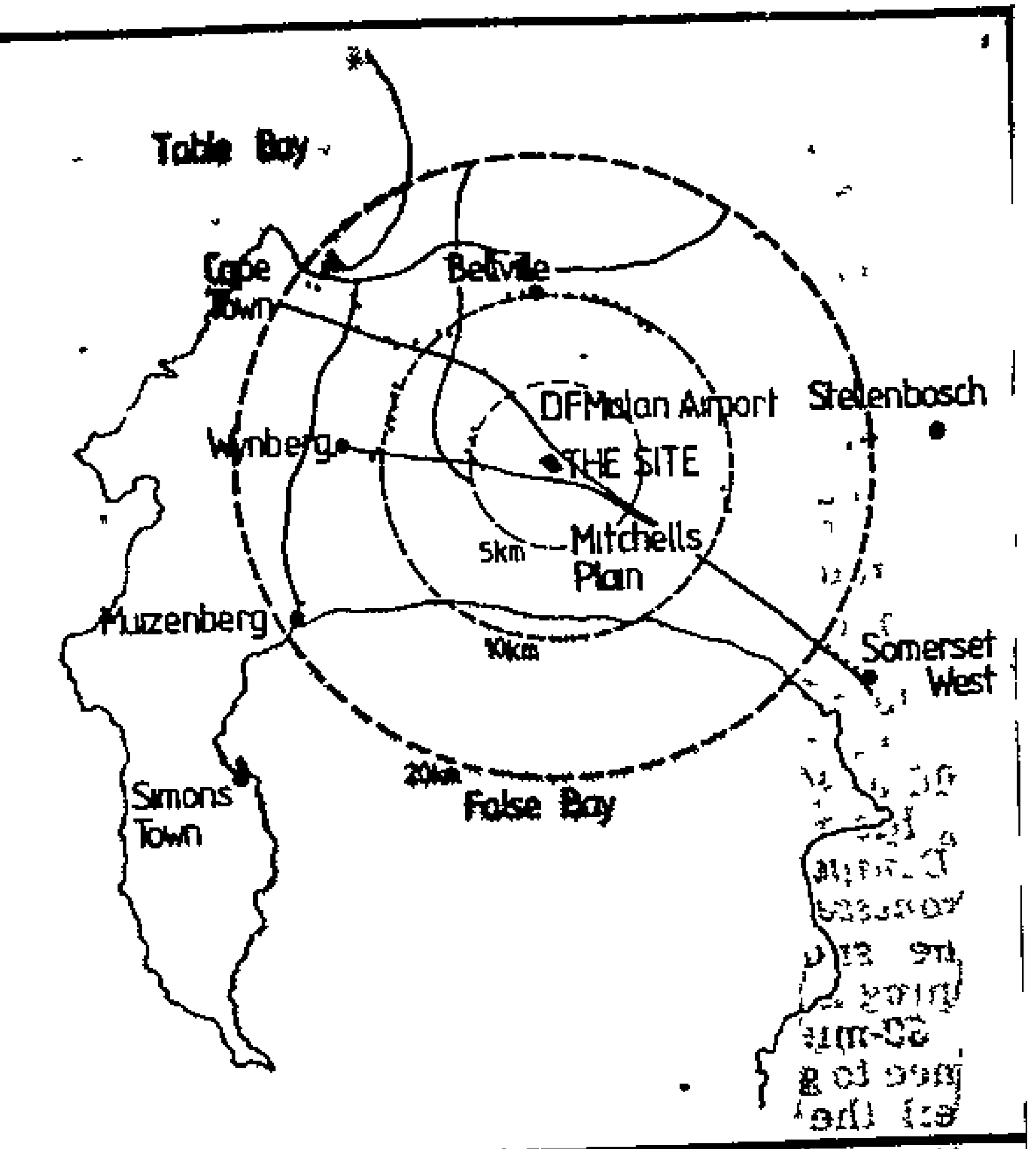
Mr Fletcher said work on the project was expected to start in the first quarter of next year He thought this would be the ideal time because the recovery should be under way by then and the problem of unrest solved

He did not think it was a risky place to build, in spite of recent political disturbances

People who worked and shopped in the area would "not be very happy" about any attempts to vandalize or burn it down.

"And without being prepared to take a bit of a risk, no-one gets anywhere"

Mr Fletcher said the consortium had discussed the project with the Urban Foundation and intended to talk to the National African Chambers of Commerce (Nafcoc), the Cape Town Chamber of Commerce and the Cape Chamber of Industries



This shows the site in relation to surrounding development, including roads and a railway still to be built.

"all," he said.

Legislation is set to wage war on collusion

Few will be exempt in anti-cartel move

BUSDAY 29/4/86

180

DAVID FURLONGER
Industrial Editor

ONLY a handful of industries will be granted exemption from new anti-cartel legislation that comes into effect this week.

Competition Board chairman Stef Naude said over 70 industries had applied for exemption from the legislation, which becomes law on Friday.

Government sources said, however, that Trade and Industries Minister Dawie de Villiers had accepted an initial Competition Board recommendation that only about six applications be accepted.

The legislation, a ministerial notice to the Maintenance and Promotion of Competition Amendment Act, is designed to outlaw five major restrictive trade practices:

- Resale price maintenance — forcing retailers to set a minimum price for manufacturers' goods;
- Horizontal price collusion — an agreement among suppliers of a commodity to charge a particular price or minimum price,
- Horizontal collusion on conditions of supply — an agreement to set particular terms for supply of a commodity;
- Horizontal collusion on market-sharing — an agreement to split up the market, including territorially or by share,
- Collusive tendering — an agreement by suppliers either not to tender for a particular contract or to submit a tender reached by arrangement between them

Naude said SA business was riddled with these practices.

"It is shocking to see to what extent they exist in the economy. There is almost no industry where there is no price collusion."

From Friday, offenders face the possibility of a R100 000 fine or five years' jail, or both. Culpability extends not only to companies themselves, but to officials and directors operating behind the companies.

Certain industries will be exempt where their activities are considered to be in the public interest

De Villiers will announce these exemptions early next month More could follow as the Competition Board completes its investigations Under an agreement between government and industry, De Villiers will not identify industries whose applications for exemption are refused

● To Page 2

Dollar bounces back

Pick 'n Pay staff

BUS DAY 10/4/86 (100)

Sabs now only marking time

GERALD REILLY

SA BUREAU OF STANDARDS director Pierre Verster said yesterday the organisation was going through its worst period.

During previous slumps the 40-year-old bureau was affected less than industry.

With industry producing less there was a severe effect on the bureau's income. Verster said the Sabs was paid a royalty for every unit sold bearing its quality mark.

Income from investigations and tests had increased from R11,6m in 1983-84 to R14,5m in 1984-85. It levelled out last year at R14,6m.

Income from royalties fell, for the first time in 40 years, from R7,3m in 1984-85 to R7,1m last year.

Verster said the bureau faced a difficult 12 months.

Government grants could not be expected to increase significantly.

Pressure on income, Verster added, would continue until the slump ended.

Getting integrated

11/4/86 180

FIN MAIL

After years of talk, computer-integrated manufacturing (CIM) seems to have come of age.

While the West has struggled to compete in recent years with Eastern productivity, the integration of manufacturing functions into a common data base has been hailed as the key to survival.

Manufacturers, particularly in the US, have proceeded apace with the automation and computerisation of their factories However, communication between different systems has remained a major bugbear, resulting in so-called "islands of automation "

This communication problem has been tackled by both computer manufacturers and their industrial clients. General Motors (GM), for example, is pinning its hopes on what it calls Manufacturing Automation Protocol (MAP), a far-sighted programme to develop the ultimate "factory of the future."

To this end, GM has spent billions of dollars buying companies with the necessary expertise to develop the systems it needs. CIM is becoming big business

Last year IBM forecast that the world market for industrial automation would be $65 billion-$75 billion in 1989. It also predicted the CIM subset of that market would pass $26 billion in 1989.

Despite the hype, no company has claimed to have produced a viable and complete CIM system. But, for the first time in SA, Siemens has demonstrated a computerised system claimed to be the first in the world to integrate all the engineering and manufacturing functions in a factory.

Siemens' Bouwer ... CIM on show

Called SICIM, it is a modular CIM design which is claimed to allow the entire production process to be computerised from order, through design, scheduling and manufacture, to costing and billing

The basic premise of CIM is that, by linking and automating all the functions of factory and company headquarters, a manufacturer can turn out essentially perfect, one-of-a-kind products at the lowest possible cost.

SICIM, explains Rudy Bouwer, Siemens GM for data and information systems, aims to cut across the barriers of "islands of automation " He stresses that all South African manufacturers need CIM if they want to remain competitive on world markets. Says Bouwer "The factory of the future is the only factory with a future."

He reckons Siemens leads the world in CIM technology "We are decades ahead No other organisation can address every one of the cornerstones of manufacturing."

He bases his claim on the fact that, while most major computer companies are developing CIM systems, they do not have the manufacturing background of Siemens.

Bouwer believes there are about 800 manufacturing companies in SA — each employing at least 800 employees — that could benefit from CIM. A small system could be implemented at a cost of about R400 000

However, the proof of the pudding is in the eating and for the moment at least, the system has yet to be seen in commercial operation in SA. The first installation could be in one of Siemens' local factories, says Bouwer.

Until it can be shown to work on the shop floor, the growth of CIM in SA is likely to be slow. But Bouwer is optimistic Siemens will receive at least two major contracts to install full CIM systems by the end of this year.

"It is a modular system that is installed in phases and will take between three and five years to fully implement," he points out. "We are already doing four feasibility studies, and interest is high."

Revenue sources could go

STAR 22/4/86 180 263

Own Correspondent

CAPE TOWN — White local authorities will have to be prepared to give up profitable revenue-producing industrial areas because of the planned new local government system.

The Director-General of Constitutional Development and Planning, Dr A H van Wyk, has warned that the new "community government" could force a rethink about existing local authorities as new bodies were created.

He was delivering the main address at a conference on the Cape's new land-use ordinance.

He pointed out that, in line with the Government's policy of devolution of authority, more powers and funds would be transferred to local government, including primary local authorities and regional councils

But other vital revenue would be in the form of levies on businesses.

The Star Wednesday April 23 1986 17

How industry can fit urban strategy

(180)

By David Braun
Political
Correspondent

CAPE TOWN — The urbanisation strategy has specific implications for the country's industrial transport sectors

The White Paper calls for speedy implementation of existing development plans, especially the National Regional Development Plan, the Population Development Programme, the Community Development Strategy and the Regional Industrial Development Strategy

The urbanisation strategy makes allowance for differentiation in the nine regions of the National Regional Development Plan

To ensure that industrial development supports the urbanisation strategy

- New jobs should be created in less congested metropolitan areas
- The shortage of industrial land within metropolitan areas be maintained
- There be reasonable availability of industrial land for light and service industries in or near lower income residential areas
- Potentially troublesome industries be located so as not to have an adverse effect on residential areas
- Industrial land should still be made available at recognised deconcentration points and the relevant financial incentives should remain in force.

6/4/86 · SUN TIMES

The message from industry: MOVE, AND MOVE FAST

180

TIME is running out for the reform process in South Africa

Black anger and frustration is growing at the lack of visible results in improved political rights and material advancements in a clearly more free society.

The failure of the Government to demonstrate in concrete terms that its reform rhetoric is not a sham has provided the justification to many who say the South African Government is unwilling to initiate real change

Bishop Tutu has altered his own timetable and has called for international punitive sanctions against South Africa

Until practical steps are taken, black leaders will remain unwilling to enter the negotiating process

Worse still is the fact that the State President adopted the language used by the business community, and especially the FCI business charter, to market his reform statements

His lack of action is now tarring business with the same brush

By ARTHUR HAMMOND-TOOKE

Director of Economic Affairs, South African Federated Chamber of Industries

Black attitudes within South Africa have become more deeply polarised as the credibility of the Government's reform moves diminish.

Indeed, the escalation of violence and repression seems inevitable unless it can be very visibly demonstrated to the mass of South Africa's people — who prefer a less violent and destructive transition process — that negotiated solutions bring concrete results

A number of international investigations are currently being made of the dynamics of the change process in South Africa.

These include the Commonwealth Eminent Persons Group, President Reagan's Investigatory Committee and the EEC Ministerial Council.

Political pressure to impose punitive sanctions against the South African Government are being held back pending a report from these groups. There is little doubt that in each case a formula will be recommended of graduated sanctions to be introduced unless progress is made in a programme for real political reforms.

These studies are presently in a crucial formative stage Measurable progress by the Government to implement its undertakings in the next few weeks while these commissions are formulating their positions on South Africa could radically alter the conditions imposed on this country

Demonstrable progress by the Government to implement its undertakings would also give ammunition to the business community, and moderate opinion abroad, opposing boycott action which is now threatening to spiral out of control.

South Africa now urgently needs deeds rather than words in implementing a practical programme of reform measures

In its "action programme" released on January 21, the FCI identified a number of reform objectives towards which the negotiation process should be directed These included

- The removal of statutory racial discrimination from all affairs of state
- Negotiating a dispensation of genuine political power sharing by all South Africans right to the highest level
- An open-ended agenda
- Participation by all accepted leaders.

It also called for the maximum devolution of power to local levels of government, with full participation by all local constituents, full and equal citizenship for all South Africans and full participation in a private enterprise economy regardless of race, colour, sex or creed

The further development of a strong, free and independent trade union movement and equality of opportunity in the provision of education was also included

The business community believes that peace, stability and prosperity can only come to South Africa as a result of a process of political round-table bargaining.

Whether this is launched in the form of regional initiatives or at national level it cannot get truly under way until all parties are convinced that the Government is genuinely willing to negotiate a new political dispensation based on full power sharing

In turn there appear to be basic preconditions and principles required to underpin the real negotiating process

Essentially these preconditions will have to be discussed and negotiated between all the parties involved in negotiations about South Africa's political future

Thus, in this initial stage, informal talks through intermediaries are needed with representatives of all groups, including the ANC Specifics will have to be decided upon, but the preconditions needed to start the negotiating process could well include

- An undertaking by the Government to abolish statutory racial discrimination, restoration of a common South African citizenship; and power-sharing at a central level in a single institution.
- A return to the basic norms of common law, thus re-affirming the rule of law and the release of political prisoners from detention.

Government itself has to demonstrate that it is able to manage South Africa through a critical process of transition It now needs to restore credibility and confidence in a realistic and visible programme of negotiated reforms as a rallying point for national unity.

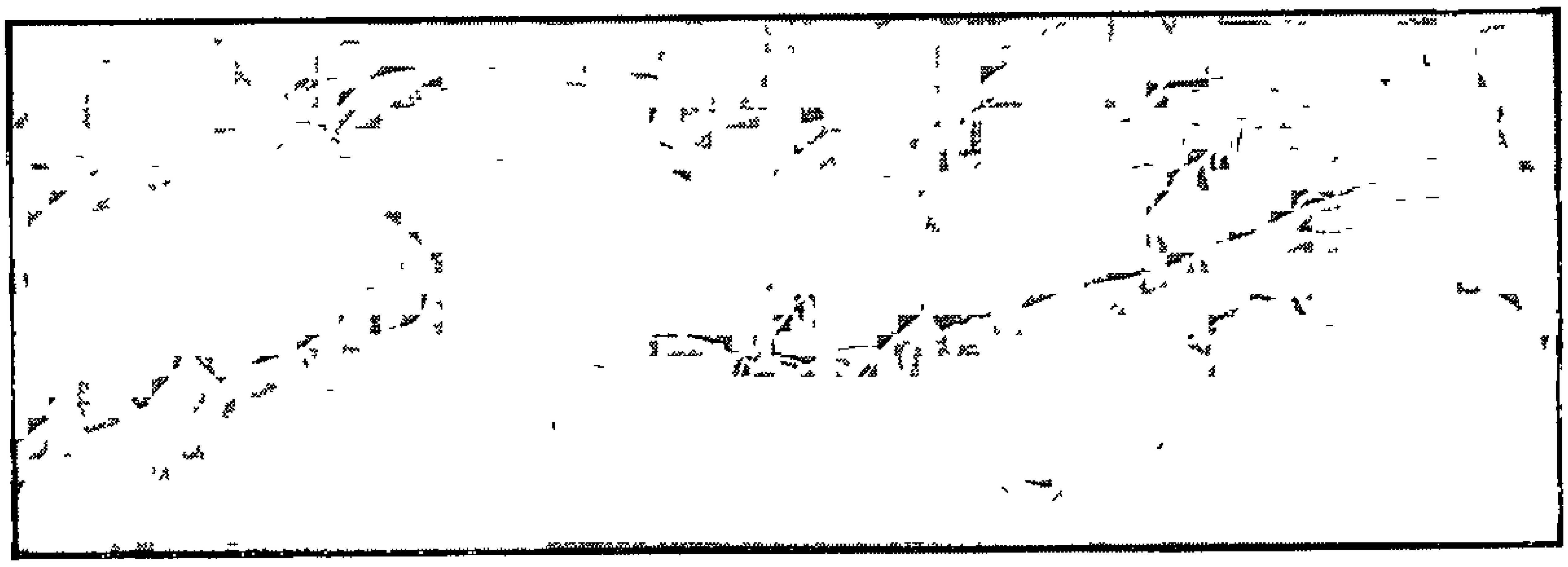
To this end concrete results must be produced in the short term in the fields of housing, employment creation and education. Confined to these areas, action by the Government would reinforce and not compromise the negotiation process which has to be essentially open-ended

South Africa's people, and the Government, have moved forward in many areas which lie at the root of the present conflict

But there has been failure to credibly market, both in South Africa and internationally, what it has done and what it is committed to doing

It is in the interests of all to avoid the degeneration of the South African situation into serious conflict and human tragedy

The road out can only be through negotiation once the terms and conditions are acceptable to all parties, but this process cannot start until there are sufficient concrete results to bolster the legitimacy of the negotiation process itself



TIME RUNS OUT ... AND THE ANGER GROWS

and stationery and (b) was paid out in general sales tax by the State on purchases of school (i) books and (ii) stationery during the latest specified financial year for which information is available?

The MINISTER OF FINANCE:

(a) The total sum collected from sales tax levied in respect of the sale of (i) books and stationery during the 1984/85 financial year was R98 457 463. (ii) No separate statistics are maintained in relation to sales of *school* books and stationery

(b) The Department of Finance is not responsible for making purchases of school books and stationery. Such purchases would normally be made by central government and provincial education departments and it is doubtful if figures relating to the amount of sales tax paid out in respect of those purchases are readily available

Q COL 867

Unemployment Insurance Fund

HANSARD 7/4/86

453. Mr P H P GASTROW asked the Minister of Manpower:

(1) What was the balance in the Unemployment Insurance Fund at the end of 1985;

(2) (a) what was the amount (i) paid into the Fund and (ii) paid out in benefits in that year and (b) to how many (i) White, (ii) Coloured, (iii) Indian and (iv) Black applicants were benefits paid?

The MINISTER OF MANPOWER.

(1) R149 766 002.

(2) (a) (i) R196 507 492.

(ii) R325 133 883

(b) (i)-(iv) 426 136. Separate particulars on the number of Whites, Coloureds, Indians and members of the Black population groups who were paid benefits are not readily available.

Work-seekers

HANSARD 7/4/86

460 Mr P H P GASTROW asked the Minister of Manpower: Q COL 868

How many Black males and females, respectively, were registered as work-seekers in the White areas of the Republic in each month of 1985?

The MINISTER OF MANPOWER:

Members of the Black population groups registered as work-seekers in the White areas of the RSA in 1985.

Month	Male	Female	Total
January	34 889	18 185	53 074
February	66 572	34 213	100 785
March	55 040	28 018	83 058
April	51 432	24 440	75 872
May	55 451	28 793	84 244
June	51 063	24 288	75 351
July	51 594	22 369	73 963
August	57 433	25 772	83 205
September	55 574	25 962	81 536
October	51 536	24 776	76 312
November	57 179	26 263	83 442
December	43 804	19 578	63 382
Total	631 567	302 657	934 224

Q COL 868

Apprenticeship contracts

HANSARD 7/4/86

463. Mr P H P Gastrow asked the Minister of Manpower: (180)

(1) How many new apprenticeship contracts were registered in each trade in 1985 in respect of (a) White, (b) Coloured, (c) Asian and (d) Black persons;

(2) what total number of apprenticeship contracts were in operation in 1985?

The MINISTER OF MANPOWER:

(1)

Industry	(a) Whites	(b) Coloureds	(c) Asians	(d) Members of the Black Population groups
Aerospace	129	2	—	2
Automobile Manufacturing	56	22	1	43
Building	447	442	75	76
Coal Mining	101	—	11	5
Diamond Cutting	—	—	—	—
Electricity Supply Undertaking	340	15	—	—
Explosives and Allied Industries	92	3	2	11
Furniture	28	20	7	1
Government Undertakings	364	40	—	1
Hairdressing	514	21	9	14
Jewellers and Goldsmiths	36	—	1	—
Local Authority Undertakings (Northern Transvaal)	27	—	—	—
Metal (Engineering)	2 840	316	278	331
Mining and Building-Mines	1 560	23	5	112
Motor	1 124	156	84	53
Printing	306	73	28	6
South African Transport Services	1 253	—	3	—
Sugar Manufacturing and Refining	13	4	9	9
Tyre and Rubber Manufacturing (Port Elizabeth, Uitenhage and Brits)	16	11	—	2
Totals	9 246	1 148	513	666

(2) 33 752.

Q COL 869

Labour Relations Act

HANSARD 7/4/86

473. Mr P H P GASTROW asked the Minister of Manpower:

(1) How many (a) industrial council agreements, (b) conciliation board agreements, (c) arbitration awards, (d) Wage Board determinations and (e) orders in terms of the Labour Relations Act, No 28 of 1965, were in force as at the latest specified date for which figures are available;

(2) how many (a) Whites, (b) Coloureds, (c) Asians and (d) Blacks were affected by each of the above five categories of wage regulating machinery as at this date?

The MINISTER OF MANPOWER:

(1) (a) 164.

(b) 1.

(c) Nil.

(d) 51.

(e) 5.

(2)	(a) Whites	(b) Coloureds	(c) Asians	(d) Members of the Black Population Groups
(a) Industrial Council Agreements	156 162	245 301	79 241	603 574

BUS DAY 29/4/86 (180)

Sweeping new anti-cartel laws

From Page 1

Naude said applications for exemption were still coming in, and temporary exemption — in some cases for up to two years — will be granted while investigations are completed.

The new Act will not affect government-maintained price controls such as agricultural marketing boards and the fuel price. Such controls can only be altered by overturning or amending the legislation that set them up in the first place.

However, where State-controlled bodies such as Iscor and SA Transport Services (Sats) exist in competition with the private sector, they are fully liable to the new Act.

Naude said the new legislation would undo generations of unfair business practices in South Africa.

"Some businessmen have come to me and said: 'We don't know how to compete. We've never had to before'."

2/5/86 BUS DAY

180

CSIR seeking greater involvement

GERALD REILLY

THE Council for Scientific and Industrial Research is to place greater emphasis on its statutory responsibility of serving industrial needs, says CSIR president Chris Garbers.

In a foreword to the council's annual report for 1984-1985, he says the CSIR was identified — in government's White Paper on industrial-development strategy, published in May, 1985 — as having the infrastructure for the transfer of technology to industry.

Mechanisms for technology transfer are being devised and developed, in collabortion with the Trade and Industry Department, Garbers adds.

What has emerged is that:

- The CSIR will continue to play its role as one of the leaders in science and technology;
- The council should be involved far more closely in industry and should ensure that the technology used is the best available, especially with regard to small and medium-sized industries;
- The CSIR should try to assist in technology development for processing local raw materials for national and international markets, thus adding to their value;
- In its research and development programme, the council should carefully consider demographic tendencies and their attendant problems; and
- The CSIR should foster closer collaboration in, and co-ordination of, research and development;

Says Garbers: "Although South Africa is undergoing a difficult period, I am convinced that adversity will stimulate us all to greater efforts."

He says the CSIR had contributed extensively in the past 40 years towards making the country a scientific and technological force to be reckoned with.

Recent events in SA, and reactions abroad, have resulted in a clear message that SA will have to rely increasingly on its own resources, he adds.

FCI calls for inquiry into holiday plan

14/5/86 (180)
BUS DAY

MICK COLLINS

THE Federated Chamber of Industries (FCI) has called for an immediate investigation into the rescheduling of public holidays.

FCI president John Wilson says holidays declared by government do not reflect community sentiment. He says formation of an official body, representing all interested parties, should be implemented as soon as possible.

"At the same time the chamber is aware of the impact that mid-week public holidays would have on the South African economy. The FCI is not opposed to a public holiday as long as it fits into the general framework of holidays which the economy can afford."

The Transvaal Chamber of Industries (TCI) has also expressed concern and says industrialists could be justified in feeling they have been caught in a web not of their own making.

In its latest weekly bulletin, the TCI says: "Industrialists appear to be trapped between the millstone of government and the trade unions.

"We are not looking for any expansion of the present schedule of public holidays. Given the present economic situation, we cannot afford to work less. Adjustments are necessary, but let them be within the present pattern."

The National Education Crisis Committee (NECC) has also urged business to heed the black community's call to recognise June 16 as a public holiday.

NECC chairman Vusi Khanyile says the call for a national stayaway on June 16 is a democratic decision taken by the majority of the country's population.

BUILDING TRANSVAAL

3. Provident Fund

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

4. Pension Fund

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

5. Leave Fund

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

6. Sick Fund

Coverage : Artisans
Worker Contribution : Artisans
Employer Contribution : --
Annual payment for 5 day week : -- days
Annual payment for 6 day week : -- days
Qualifying period : -- months
Waiting period : 4 days
Percentage of wage paid : --.0 %
Maternity days per pregnancy : --

BUS DAY

180

Durban to cast nets for investment

JANE STRACHAN

DURBAN has embarked on a joint marketing campaign with commerce and industry to attract private entrepreneurial investment

The municipality has put more than R90m into the provision and alteration of infrastructure, amenities and facilities, as part of its plan to give the city a new image.

It has also built up a substantial land bank, the focal piece being approximately 50ha in the Centrum, on the outskirts of the CBD

Committed participants in the scheme to give Durban a new look include civic officials, planning consultant Revel Fox, the Chambers of Commerce and Industry, the Afrikaanse Sakekamer, Small Business Development Corporation and Durban Publicity Association

The Centrum is an example of how the city is putting into practice its policy of co-operative development. Potential investors and members of the public were invited to a workshop to discuss options for the site, worth about R49m Consensus was that there should be adequate open space, perhaps a hotel, a cultural amenity and a commercial component

Sanlam and Murray & Roberts are already working on the R40m speciality retail centre there, with a R12m parking garage being the council's contribution

On Monday the city council will consider two offers for development of the old station building near the Centrum into an hotel. The city spent R1,39m getting it into workable condition

Town Clerk Gordon Haygarth says the city is in a strong financial position, being technically debt-free.

FIN MAIL 16/5/86

PRODUCTION PRICE FALLS

Another welcome drop in the increase in the production price index (PPI), to 19,6% year-on-year, is reported for March. More significant is that the imported price component has fallen to 27,9%. This compares to 30,8% the previous month and the peak of 32,7% in January.

The indices for the components hardly changed. The all-commodities index remained at 206,9, while the index for the imported component actually fell from 227,8 in February to 227,6.

Says Barclays' economist Alan Doyle: "It definitely points to a further cut in fuel prices; maybe we will see a fall in the CPI for April, from the March 18,9%." He points out that whether the steady reduction in imported inflation is passed on to the consumer depends very much on the government.

The authorities have already withheld some benefits of falling oil prices. For example, excluding the present over-recovery position and additional levies introduced by government since January, Reef 93 octane would cost just 68,4c/*l*, as opposed to 83c currently.

However, at least some benefits from the improvement in the PPI position should filter through to CPI.

In its latest monthly tape subscription service, *Economic Comment*, Barclays expects only a slow erosion in the reported year-on-year CPI, but the January 1987 figure may reveal a major fall because it will be compared to a major jump in CPI in January 1986.

The bank points out that in times of price volatility, year-on-year rates are not necessarily indicative of overall trends. Annualising the month-on-month increase may make the pattern more clear. The CPI for March on this basis, for example, suggested an annual inflation rate of just 8,4%.

FIN MAIL 23/5/86

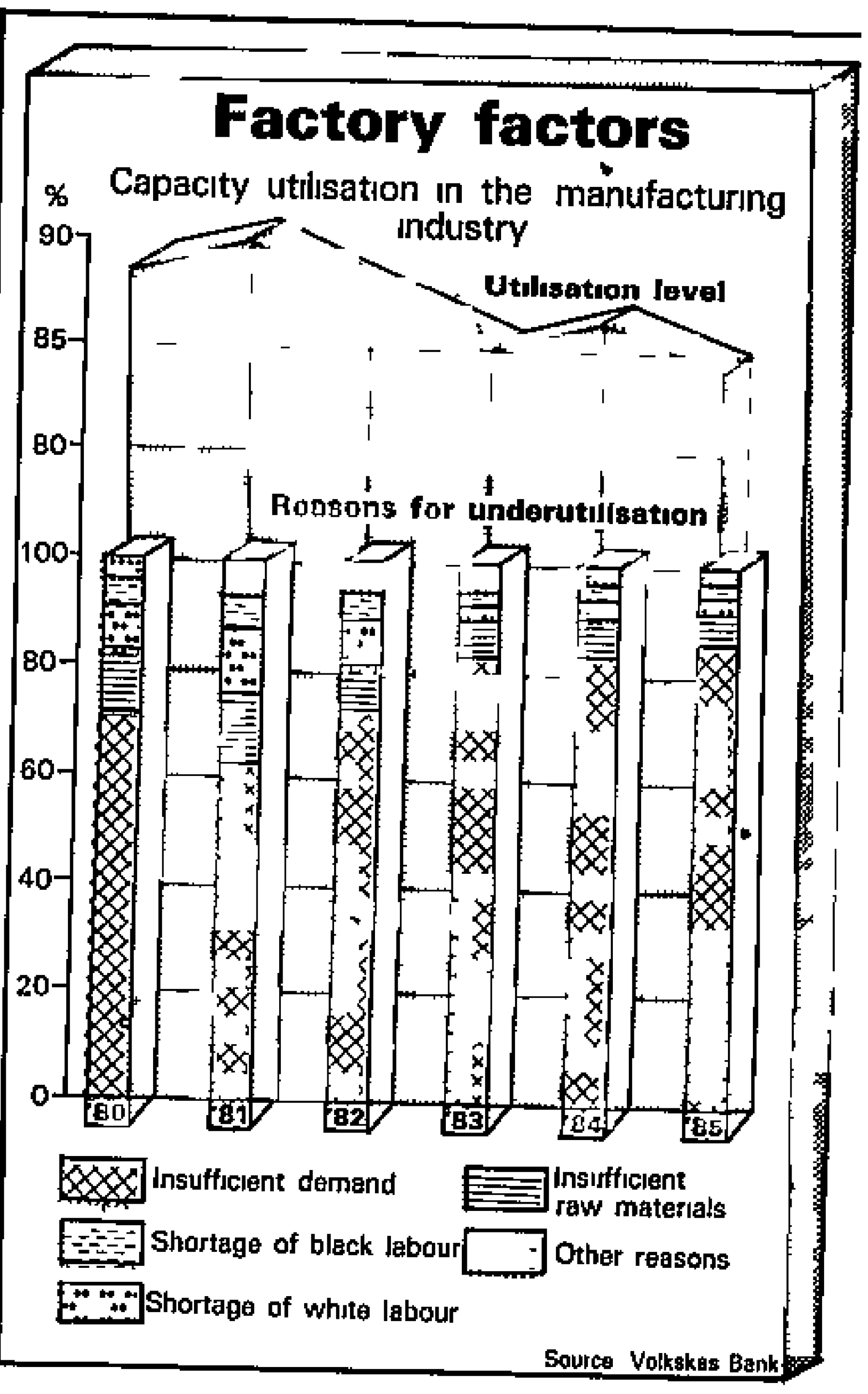
MANUFACTURING (180)

Pace setter slows

Like a chronic fever, lack of demand is lowering productivity in the manufacturing industry. In view of the sector's critical role, deteriorating performance has serious implications for growth

A review in the May edition of the *Volkskas Economic Spotlight* reveals that in 1985, production volumes dropped by 4,6%, production capacity utilisation by 2,4%, employment by 3,5%, labour productivity by 1,1% and capital productivity by 3,9% At the same time, the cost of production per unit of manufactured product rose by an estimated 18,2%; final selling prices, both here and overseas, rose by only 15,3%, resulting in a drop in operating profit.

Nor was this the worst news.



Real fixed investment declined by 5,3% and real fixed capital stock by 0,7%. So real gross fixed investment in manufacturing was lower than depreciation

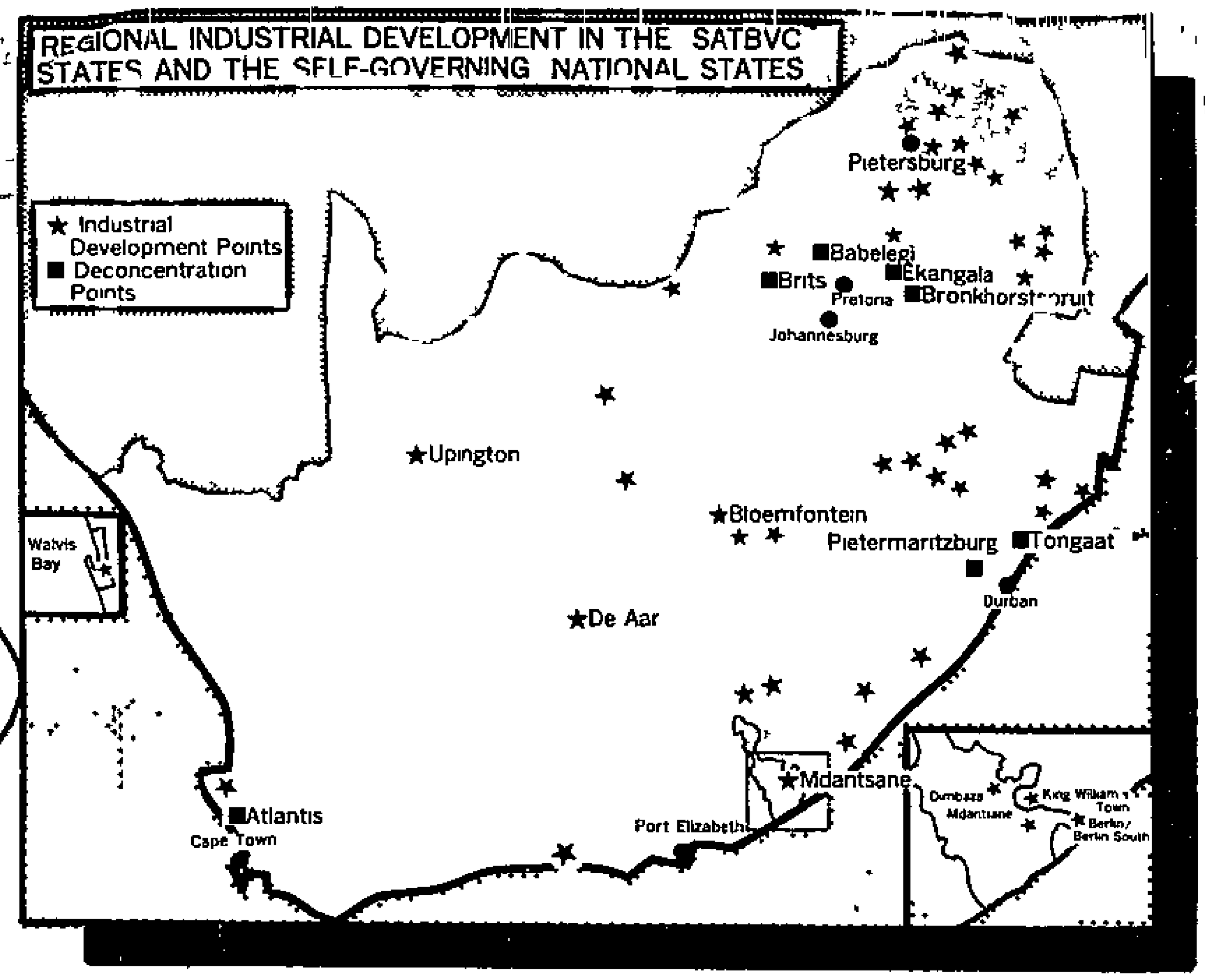
Economic Spotlight points out that since 1920, when the contribution by manufacturing to GDP was 10%, it grew to 22,5% in 1980 and provided employment for about 16,8% of the economically active population Between 1948 and 1980, while real GDP increased by 4,6% a year, the manufacturing industry grew by 6,3%. Such growth is essential if manufacturing is to fill the gap left by the shrinking contribution of agriculture, when mineral wealth runs low, and allow for the growth of a service industry.

Now this pace-setting role is in jeopardy ■

WHAT'S IN IT FOR INDUSTRY

	Transport rebate %	% of salary wage bill for 7 years	Maximum allowance per worker p/m	Training grant	10-year interest/rental concession %	Housing subsidy %	Relocation allowance	Price preference on tenders %	Electricity concession
MDANTSANE	60	95	R110	YES	80	60	YES	10	YES
MARITZBURG	20	80	R25	YES	15	20	YES	4	NO
BLOEMFONTEIN	40	80	R70	YES	40	40	YES	5	YES
PIETERSBURG	50	80	R90	YES	50	50	YES	5	YES

Source DECENTRALISATION BOARD



Growth cash falls on stoney ground

BUSDAY 23/5/86 (180)

DAVID FURLONGER/Industrial Editor

GOVERNMENT introduced its latest regional industrial development strategy on April 1, 1982. Critics will tell you that All Fools' Day was the perfect birthday for a scheme they consider an enormous waste of money.

Few will argue against the view that government had to do something to counter growing unemployment and the over-concentration of industrial resources in two or three centres — notably the PWV area.

However, critics argue that the scheme, as it stands, is seriously flawed and creates as many new problems as it solves old ones

Problems there certainly are.

In its eagerness to spread the industrial word to as many parts of SA as possible, government — through the Decentralisation Board — created nearly 50 industrial development points

The result, as government officials now concede, is that public money has been pumped into areas unsuited for industrial development.

It doesn't matter how much money goes into an area. If it's wrong, it's wrong. There is now growing acceptance of the view that piecemeal development be scrapped in favour of full-scale development of a handful of centres with the infrastructure necessary to sustain industrial growth.

Federated Chamber of Industries (FCI) information director Jan de Jager says the system "encourages development where it shouldn't".

"Development should be concentrated in regions with good industrial potential. Incentives should enhance an area's own capabilities and policies should concentrate on as few areas as possible rather than spreading everywhere."

Such a path may well be simplified by the recent easing of influx controls, allowing greater mobility and access to regional development centres.

Another criticism of the present strategy is that it encourages inefficiency and poor productivity.

Potential industrialists are offered a range of incentives and rebates encouraging them to set up shop in a decentralised area. These include transport rebates, contribution to salaries and electricity concessions.

Subsidised

Such concessions do little to encourage good housekeeping by industrialists, nor does the Decentralisation Board's preference for labour-intensive industries encourage high productivity.

An employer who has up to 95% of his wages paid for him has little incentive to watch his other costs, particularly when they too are heavily subsidised.

Says De Jager. "It is always easier to waste other people's money, particularly taxpayers', rather than one's own"

Incentives have earned the ire of well-established manufacturers in existing industrial centres. They claim new competitors have an unfair advantage in the marketplace, where incentives and rebates enable them to produce and sell more cheaply than established companies.

In an economy where consumer confidence is low and government figures show little or no real growth in retail spending, they say there is scant room for increased production outside of export markets. And where government benefits make those markets the domain of a limited number of producers, it must inevitably have a devastating effect on competitors without such benefits.

The industrial development incentives strategy, which covers both SA and the independent states, is split into two main categories — deconcentration points and industrial development points

Deconcentration points, situated close to existing metropolitan areas, are intended to channel industrial growth away from these areas There are only a handful of these points

Industrial development points, of which there are nearly 50, are intended to create a spread of regional development and employment throughout the country.

Incentives can be enormous. For example, Mdantsane, in Ciskei, offers potential investors a 60% rebate on all transport costs, 95% subsidisation of the wage bill for seven years, an 80% factory interest/rental concession for 10 years; 60% subsidy of housing interest rates; 10% price preference on all tenders; and training grants and electricity concessions.

For an employer moving from the PWV or Durban Pintown, there is the additional carrot of considerable relocation allowances.

Incentives may be less generous in other areas, either because they are closer to the main PWV market, are already semi-developed, or because the Decentralisation Board considers them less urgent.

Board acting chairman Coenie De Villiers is confident that development policies are achieving what they set out to do — create jobs in areas where there is a need.

"It makes economic sense to take work where the people are living instead of trying to relocate them"

He says there is a rising growth trend in potential job-creation, based on applications to the board for regional incentives and development.

Sensitive

Observers say the board's budget this year could rise as high as R500m. While the number of projects approved last year showed only a small increase, De Villiers attributes this to the recession and expects them to pick up again as the economy improves.

He is sensitive to criticism that the board is trying to develop too many areas.

Government sources say this is the result of previous policies that sought to bring industry to every corner of the country. Having created the expectation of factories and jobs, the government has proved unwilling to divert its money to more suitable centres

"It's true you can't get growth at so many points simultaneously," says De Villiers "We want development on a priority basis at a few development points."

Gradual achievement of that aim is shown by the fact that six development points — Isithebe (in Natal), Ezakheni (KwaZulu), Phuthaditjhaba (QwaQwa), Botshabelo (Free State), Atlantis (Western Cape) and East London — accommodate 47% of total development.

"You won't have success if the development point doesn't have some kind of economic viability of its own The aim eventually is to phase out non-viable ones."

De Villiers stresses that initial job-creation benefits have a spin-off effect in the creation of service industries.

"Any development that you make here has a multiplying effect on jobs in the tertiary sector. In general terms, there is a 2,3 multiplication on industrial job-creation in the long-term."

On the question of low productivity and abuse of concessions, he says "We carry out inspections and can take steps to increase productivity if we feel this is necessary. Where we have any form of malpractice, we stop concessions immediately and hand the matter over to the police."

De Villiers is unsympathetic towards companies who claim subsidised new competitors have an unfair advantage in the marketplace. Particularly in export markets, he believes there is growth potential for many industries.

He is supported by many industry sources, who believe struggling companies are using incentives payments to competitors as a scapegoat for their own failings.

BUS DAY 24/5/86 180

Ratio of managers to workers is weakness

Industrial Staff

PRODUCTIVITY problems are related directly to South Africa's poor record of developing effective supervisors

The local management-worker ratio of 1:42 will have to change dramatically if productivity is to improve.

This will be the theme of a one-day conference on Wednesday at the Jan Smuts Airport Southern Sun Hotel

Keynote speaker will be SA Institute of Supervisors (SAIS) president Dennis Etheredge Other speakers will include senior training officials from Anglo American, Standard Bank Investment Corporation, the Human Sciences Research Council and the mining industry.

Details of the conference, organised by the SAIS, are available from executive director Mike Taylor on (011) 339-2363

New look at skills needed — Viljoen

GERALD REILLY

INDUSTRY and commerce will become more dependent on a balanced supply of highly skilled black engineers, technicians and artisans, says Minister of Education and Development Gerrit Viljoen.

He told the conference of the Federated Societies of Professional Engineers in Pretoria on Friday SA was confronted by a situation of inadequate funds, an inadequate, largely white skilled and managerial workforce and a large supply of black unskilled and semi-skilled workers

A Manpower Department survey last year found that actual vacancies for engineers amounted to more than 1 000; for engineering technologists 800; and engineering technicians, about 3 500

Because of the shortage of engineering technicians, industry had tended to use university-educated engineers in jobs which could be done by technicians

Referring to negative tendencies in education, Viljoen said parrot work was stressed at the cost of independent thinking, and achievement and progress were evaluated on memory work, instead of on thinking ability and the ability to make decisions

During the Standard Six and Seven phase of the career education model, it was planned that 70% of pupils should become familiar with building, metal and electrically orientated directions

Viewers rank M-Net in poll

STEPHEN CRANSTON

WHITE adult television viewers expect subscription TV — M-Net — to be of a similar standard to that of the current TV4 channel, according to a media study conducted among 200 people on the Witwatersrand

When asked to rate TV1, TV4 and the subscription TV services, TV4 achieved a rating of 6 out of 10, followed closely by subscription TV at 5,9. TV1 lagged behind with a rating of 5,3 out of 10

EMPLOYMENT

ARGUS 29/5/86

Cluster industry to boost jobs in W Cape

A NEW project is being initiated by the Small Business Development Corporation to boost unemployment in the Western Cape

The scheme envisages the creation of several small factory units varying in size from 31 sq m to 62 sq m within a single factory building

The intention is to lease these small units to prospective entrepreneurs to enable them to develop within the business climate created by the specific complex

A feature of the cluster industry is that heavier equipment for wood and metalwork, which small entrepreneurs cannot usually afford to buy, will be available to tenants on a short-term rental

The cluster industry will be open to all race groups and further factories are being planned in other parts of the Western Cape The first factory to be completed is situated off Johnston Road, Hadji Ebrahim Circle, Athlone, and will be ready for occupation on June 1

The cluster industry concept has proved to be so popular that more than half of the 22 units within the factory have been leased prior to completion of the building and before its having been advertised officially

Further inquiries can be directed to PO Box 4295, Cape Town, or by calling Mr Gerhard Smit ☎ 41-51910, Cape Town

S MAIL 6/11/86

SA industrial development presents challenges

(180)

Vereeniging Bureau

Industrial development in South Africa is going through a period of unprecedented change and people are being presented with difficult challenges, said Dr Dawie de Villiers last night

Speaking in Vereeniging at the opening of a two-day symposium on industrial development, the Minister of Commerce and Industries said the economy and the industrial sector were in a difficult phase of adaptation.

He said the need for a long-term perspective on industrial development had in 1977 given rise to the appointment of a study group on the strategy for South Africa's development.

In response to this report, the Government tabled a white paper on the matter last year.

"The strategy laid out in this white paper formed the basis for the Government's present industrial development policy It is a dynamic policy that demands continuous adaptations and adjustments," said Dr de Villiers.

"So attention is being given to the different aspects of the existing measures with the aim of making them more effective."

MARKET LEADERS

Dr de Villiers said it was possible for the country to develop its own technological abilities in certain fields

He said goods manufactured by local technology had become market leaders in their own right The ability of South African products to compete effectively on both internal and overseas markets depended largely on the industries' abilities to use or develop the correct technology, he said.

"The Government gives top priority to technical development and its dissemination," he said

Dr de Villiers said the Government realised that the South African manufacturing industries were sensitive to monetary and fiscal control measures He said the Government was aware of the importance of maintaining stable conditions for economic growth and is continually attempting to improve the mixture of monetary and fiscal policy

26/5/86

Rembrandt companies at new highs

BUSDAY (180)

SINCE the release of impressive year-end results, most of the Rembrandt Group companies' share prices have risen to fresh peaks.

Rembrant Group's share price rose R2 to an all-time high of R68 in the wake of a 40% boost in earnings a share to 731,6c (524,3c) for the year to March.

A final dividend of 53,5c (44c) was declared some weeks ago, raising the total to 100c a share.

Although no comment is provided by the directors, much of the improvement is presumably due to Rembrandt's considerable overseas concerns and interest on its cash funds (R728,4m at 1985 year-end).

Pre-tax income rose to R392m (R294,9m). Taxed profits were R278,9m, against R218,1m in 1985.

Rembrandt Investments increased earnings a share to 541,9c (388,3c) and the final dividend rose to 39,6c (32,5c), making a total of 74c (62,1c).

Technical and Industrial Investments boosted earnings a share to 503,8c (361,4c) and the final dividend to 36,8c (30,1c) for a total of 68,8c (57,5c).

The Technical Investment Corporation increased earnings a share to 475,8c from 340,7c. The final dividend was 34,7c (28,3c) for a total of 64,9c (54,2c).

13/6/86 Bus Day

(180)

Contractors need to gain more expertise

□ ST LEGER . . . planning ahead always vital

HELGA ST BLAIZE-MOLONY

UNLESS SA contractors start trying to gain the necessary expertise to handle major construction projects, the fruits will continue to be stolen by foreign companies.

This is the view of Sasol technology GM Piet Naude Overseas contractors, he says, are usually accustomed to working abroad And, more importantly, they are more in tune with the demands of massive modern technology projects, are more reliable and better qualified to handle the work required

With the Mossel Bay gas project possibly looming and future synfuels projects being planned, Naude stresses. "Planning for these projects is of the utmost importance It contributes towards the success or failure of a project"

Central Energy Fund project director and former Murray and Roberts engineering division director Bob St Leger agrees with Naude He says determined planning for the Mossel Bay gas project is underway and cost-benefit relationships are being studied, too.

"There is no doubt we would like to see a high SA content taking place on this project There would be massive advantages to the country.

"Apart from the technology transfer we would hope to achieve, hard-hit industries and regional areas could benefit enormously."

Expertise for the project can be found, St Leger adds. "But, yes, planning has to be accomplished properly. Companies will have to start facing up to the needs of a particular project now"

Naude points out that despite the financial drawbacks of using overseas firms "the local content in Sasol 2 was the most trouble in the end". During its design and construction, only 45% of the materials needed came from SA and only two construction contracts were awarded to SA firms

He says allowance was made for local suppliers' technical limitations The real problem lay in the timing of the manufacture and supply of goods. Contractors are unreliable, they suffer from a lack of skill or confidence and they often seem unwilling to meet new technical demands, says St Leger

Naude believes that unless things change substantially SA cannot expect to increase its content in any future project of this magnitude "There is not enough attention to detail and labour is not competent, so the failure rests with management," Naude concludes

But if local firms anticipate the need for additional technological skills, if they prepare in time and provide the necessary training for staff, St Leger reckons SA firms could compete.

13/6/86 F IN MAIL (180)

KEITH PRETORIUS

Better late than never

Belatedly or not, South African manufacturers seem to have taken the Just-In-Time (JIT) management philosophy, designed to reduce inventories and improve productivity, to their hearts. An *FM* analysis of the system on May 16 has drawn wide response and here Peat Marwick management consultant Keith Pretorius continues the debate.

***FM*: Where do the main advantages of JIT lie for South African operators?**

Pretorius: Local companies have long held to the contrary philosophy of Just-In-Case The result is that inflated raw material and stock inventories currently cost them millions of rands every year It means capital is locked up, with interest loss implications, and cash flows are seriously impaired. Also, big inventories often blur management and manufacturing deficiencies.

JIT can stem this financial haemorrhage and bring manufacturing capacity, inventory levels and profitability into proper balance

By aiming to eliminate waste everywhere, JIT insists on ever-improving standards

At what level should JIT principles be applied?

The dedicated application of JIT should not just be at factory or business floor level It requires total involvement, commitment and powerful motivation starting at boardroom level and penetrating right through the organisation

It requires waste abolition by everyone through personal effort, time, inventory, processing, correction, delays, overproduction and conveyance The bottom line is a dedicated team who think the system through to the end and, in its application, are psyched up to be one step ahead of everyone else

Just how is this achieved?

The JIT society is a merciless society — you cannot afford to make a mistake If a mistake is made then a designated team examines the reasons and eliminates them so that the same error does not recur

Can JIT be successfully applied to South African industry and business?

Definitely yes But not that many firms and organisations here are capable of taking on the JIT challenge — for several reasons

First, many companies are badly managed and too many have the mental attitude that "plenty is beautiful " In addition, there's a marked lack of enthusiasm to solve the problems, there is a lack of adequate systems or an inability to enforce those that do exist Finally, in SA there has been a shocking neglect of employee training

Everywhere we come across massive companies that talk systems but don't have the policies or procedures to enforce them.

What can be done to change management attitudes?

This is a challenge of change for management It will require in-depth training to make managers aware that there are different and more simple ways of improving productivity

Managements must be flexible and recognise that JIT is outside basic traditional systems and approaches and that, given whole-hearted application and enthusiasm, it produces outstanding results Any company committed to JIT can be assured of success, especially where productivity is a problem.

Are the main benefits experienced only by the larger, more progressive companies?

Although JIT principles are generally applied to larger, repetitive assembly-type operations, it has become increasingly obvious that it is the route for any company, large or small, which is worried about waste

Is outside help available for smaller companies which wish to introduce JIT?

There are consulting companies which supply such services But it is important that the consultants should have had successful working experience in its application

Training shows commitment

13/6/85 (180)

MELANIE SERGEANT

GONE are the days when SA could afford to import all the technically trained staff it needed to service its industries. In hi-tech industries especially, hardware costs have dropped considerably over the last few years, and it's no longer possible to charge disproportionate costs for servicing or repairs, labour must be cost-efficient in line with the more powerful machines.

Due to this factor, and the need to keep in kilter with Sullivan Code rules, Rank Xerox has spent about R2m on its training centre, which has seen 500 courses completed by staffers in the past three years. The trainees, who can spend up to 18 months on courses, learn to service and support Xerox's range of equipment, including copiers, typewriters, facsimile transmission machines and laser printers. "Our technical training programme was recently expanded to include diagnosis of problems and the repair of printed circuit boards," says Xerox MD David English. He says that while Xerox does not train staff from other organisations, it does indirectly. "We lose staff to our competition." English maintains Xerox has built up an admirable reputation for training and is considered an industry leader in this field.

Nixdorf's Alan Fuchs (background) instructs a computer class held for the deaf

Computer company Nixdorf, on the other hand, runs a series of courses for the unemployed as well as for its own and customers' staff. Along with courses for terminal operators, systems supervisors, word processing and basic programming, the firm offers technicians a chance to learn about hardware repair.

Since December last year, the Nixdorf Computer Training Centre has trained more than 400 people — including a group of deaf people. Says Nixdorf MD Tinus Bosch: "While the tendency is to replace parts in computers, because this is quicker than fixing the problem, it is essential for technicians to be able to diagnose problems and remove the right parts. When they have been removed the parts are usually repaired at the centre."

Electronic test equipment for training as well as staff costs amount to more than R1m. "The investment is one in SA's future and shows our commitment to this country," he says.

So popular are the courses for the unemployed, to which the Department of Manpower contributes, that Nixdorf has stopped advertising them because it has a large backlog of would-be trainees.

13/6/86 Bus Day

Training incentives: an overview

180

MELANIE SERGEANT

ONLY 10 years ago, tax concessions were introduced as an incentive to employ and train SA's large pool of unskilled and semi-skilled labour. Originally only applicable to blacks, in 1979 the concessions were broadened to include all employees. In 1981 they were extended to include training of employees in the designated decentralisation regions.

Above the normal deduction of the cost of training as a running expense, it is possible for companies to deduct a further 50% of the cost which includes wages, course fees, accommodation, travelling expenses and the salaries of course instructors. Calculated at the current 50% company tax rate, employers are able to recoup 75% of training costs. This means employers should invest 25% of the total cost.

In the decentralised areas additional deductions amount to 75%, making a total of 87,5% recoupment. Also, the additional deduction of 75% can be discounted with the Department of Manpower at the ruling company tax rate, so that half of it is payable in cash at regular intervals to alleviate cash flow problems.

Needless to say, these concessions are only available for approved training courses.

In 1984, the Minister of Finance decided to limit tax concessions on training to people earning less than R15 000pa. While he was accused of limiting concessions, the aim was to focus attention at lesser-trained people and for a more concentrated effort to be made at the lower levels.

The number of approved training centres, institutions and schemes has climbed steadily. From 952 in 1981 to 1 529 in 1983 and by 1985 reached 1 841. The number of courses approved grew from 10 892 in 1981 to nearly double that last year.

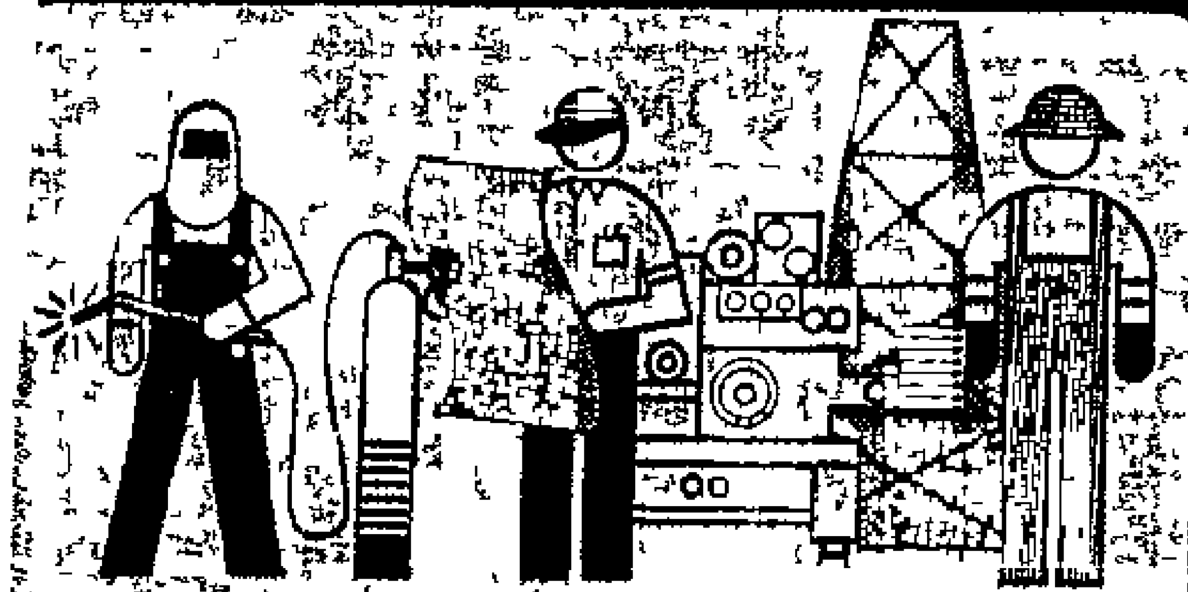
The R15 000 salary limit saw the amount of people trained through department-approved centres fall considerably. In 1981, nearly 330 000 people were trained, rising to 508 000 in 1984. With the limit imposed after the 1984 Budget, this fell to 364 216 last year. "The fall was also due to the poor economy," says chief director of manpower training at the Department of Manpower, Roelf Dyman.

On the technical training side the department looks at apprentices. The number indentured in 1981 and attending courses approved for tax concessions was not far off the 12 000 mark. This grew to nearly 14 500 in 1982, but fell to 11 573 last year. But Dyman reckons that at least double these numbers are trained annually if account is taken of those trained by non-registered establishments and those earning more than R15 000.

In 1983, the National Training Board and the Human Sciences Research Council launched an investigation on behalf of the Department of Manpower into the training of artisans. "The study recommends the apprenticeship system is restructured and training encouraged on a modular basis," says Dyman.

Private industries were also recommended to play a more prominent role in the training of artisans. "The study finds that the status of artisans should be raised, as they form the backbone of the production processes with their technical skills."

The Department of Manpower is preparing a White Paper on these recommendations. Dyman hopes it will be submitted to Cabinet in the near future."



TECHNICAL TRAINING

A Business Day Survey

Edited by Helga St Blaize-Molony

179 180

Training geared to industry's needs

HELGA ST BLAIZE-MOLONY

FOR TOO long SA has depended upon emigration waves from Europe to supply it with the skilled manpower it needs, ignoring the creation of a strong, locally-trained workforce. And yet even before the present economic downturn, this country was unable to find enough technically trained people to satisfy its needs.

The situation has worsened. The economic climate and the political situation is not only preventing skilled manpower in Europe from emigrating to SA but also driving those who do live here to seek work in other countries.

In addition, whereas before funds were put aside by industry for the training and further education of its employees, now many companies have cut back on educational facilities, concentrating on management training when funds do become available.

As productivity and morale dip to yet lower levels, the need for technically skilled manpower reaches crisis point. Why?

There are courses available. Government does offer incentives. And yet it seems too few school-leavers are interested in technical training, a sector which should guarantee them jobs.

No doubt one reason for their reticence is the poor standing in society which the skilled worker or artisan has traditionally sustained. SA has spoilt its citizens. They expect an education to give them prestige positions and do not equate such positions with technical skills.

This notion seeps into all races. Young blacks seeking higher education are attracted by the professions, but not the trades. Those that would appreciate technical training very often have not been able to acquire even basic academic requirements.

Another reason for the lack of interest is that until recently commerce and industry has not been particularly active in encouraging its workforce to acquire such skills.

But should the level of skilled workers rise in SA due to the efforts of employers, there is no doubt there could be greater contentment on the shop floor and higher productivity levels. Both employee and employer should benefit.

As this idea takes effect, a subtle change is occurring. Not only are more courses becoming available, but these are being specifically designed for SA's needs. Those courses which demand more rigorous academic achievements, such as engineering, are being overhauled to suit industry's needs.

The maintenance of technically skilled people in SA is imperative to the development of industry and the economy, for it is within the technical sector that the future lies.

13/6/86 BUS DAY

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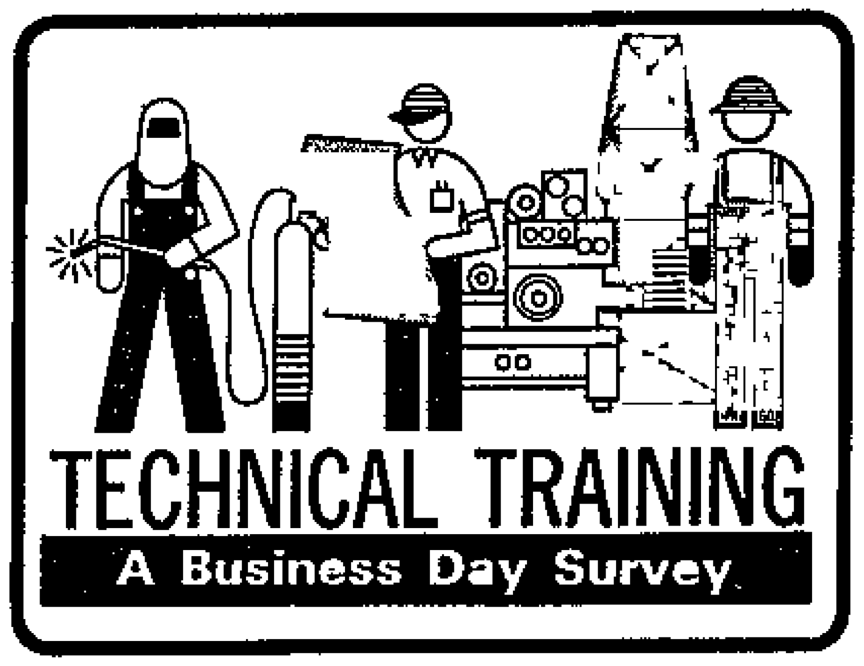
Electronics, computer technicians in demand



HEATH YOUNG

THE EXPLOSION in the use of computers and other electronic equipment has sent demand for service personnel soaring

Paradoxically, while the devices themselves have become more complex, training of technical personnel has been simplified It used to take five years to train a motor mechanic, but an electronics serviceman can now be trained in a few months

This is partly the nature of the job Generally, the serviceman runs through a checklist of trouble-shooting procedures until he locates the fault and then exchanges the defective sub-assembly for a new one. There is little actual repair at this level

Partly, too, it is that training methods have improved. Finally, the whole of the training period is now aimed at producing skilled service technicians, whereas in the bad old days training was only part of an apprentice's working day; for the rest he was used as cheap labour.

In SA the technikons form a major centre of training for electronics technicians, but private training establishments (PTEs) are playing an increasing role.

The Control Data Institute, an arm of the US multinational manufacturer of supercomputers and developer of the Plato computer-aided instruction system, has been providing training in SA for seven years In the US it is celebrating its 21st year in training.

Manager Ruth Perrins told *Business Day* that the institute will train about 200 full-time students in 1986 and perhaps as many part-timers.

Courses run from beginner's to advanced. The electronics curriculum provides training in 14 subject areas designed to give students a working knowledge of the concepts, terminology and analysis techniques of basic electrical and electronic circuits

Courses can be taken separately. The computer technology course, for example, which is designed to train the student for a career as a technician in the computer industry, comprises the basic electronics module (340 hours of instruction, plus courses on the microprocessor unit, introduction to computer systems, central processor unit, peripherals and practical troubleshooting) The whole course lasts for 875 hours.

What does all that mean to the student? "It qualifies him to service equipment, to take a position as a junior computer engineer or work in a laboratory," says Perrins.

Control Data's microtechnology course qualifies the student to service anything that is microprocessor-controlled, from video machines to industrial equipment.

For the computer technology course, the institute usually requires students to have Matric, preferably with maths and science. However, every student has to take an assessment test, which is used internationally. In certain cases, students who do not have either Matric maths or science, or who have one of these subjects on standard grade, can be given extra tuition, she says.

Omnitec Institute has been running courses for 11 years. Its full-time course for computer technicians lasts 15 weeks, for video technicians five months and for TV technicians six months. New courses are just being introduced in the fields of data communications and industrial electronics.

According to Omnitec's Melanie Ryan, about 60% of the electronics course is practical, and students are "fully trained to service equipment in the various fields"

The minimum qualification for enrolment is Junior Certificate, with maths and science, but the student must then pass an aptitude test. If the student already has some qualifications, he (students are predominantly male) can write an exemption test, success in which means not having to repeat elementary instruction

Demand for technical training has prompted the opening of a new PTE, the Radiokom Technical Institute, formed from the training sections of Radiokom and Microsciences

The institute has two classrooms, each seating 40, and is in the process of registering in courses with the Department of Manpower, the most important benefit of which is that they then qualify for tax concessions

Radiokom's Leon du Preez says the basic course qualified students for general electrical work, but warns that more specialised courses are necessary to qualify as a technician

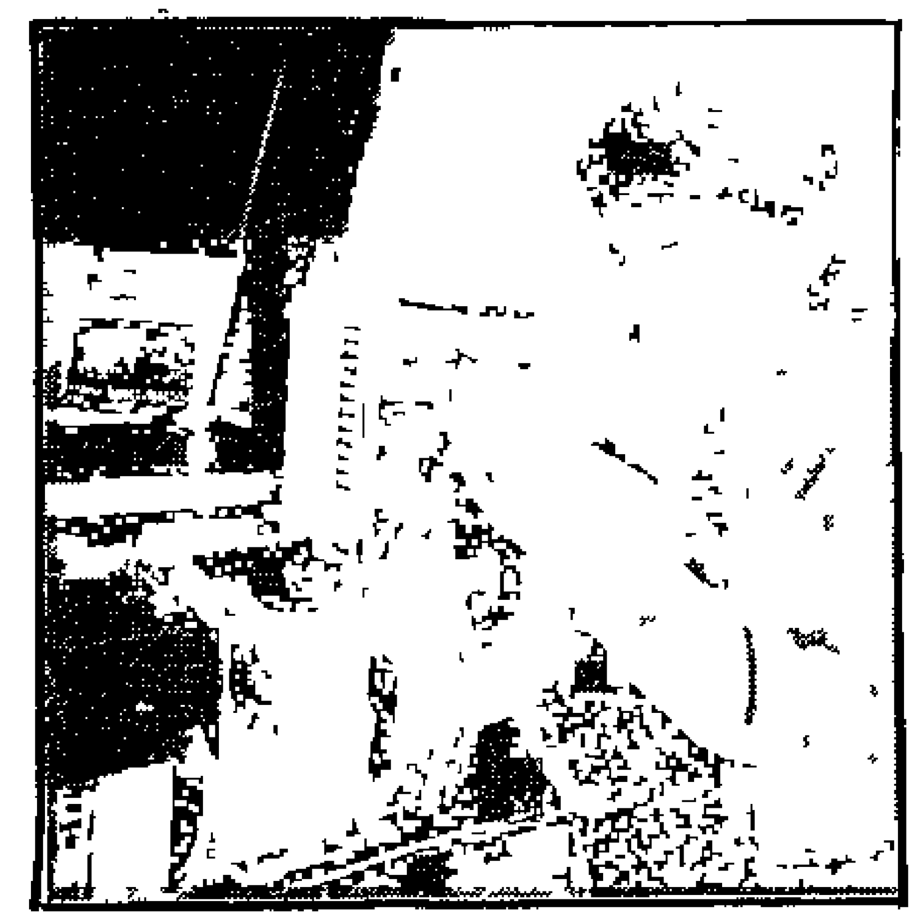
The basic electronics course is 60 hours and covers five different modules of a week each. Part-time students do hands-on work at the institute and cover the theory of the next section at home. When qualifying for a module in a hands-on area of service, says Du Preez, students must get 100% or they will not be passed as competent to progress to the next module.

As well as the more conventional topics, Radiokom courses cover robotics, electrical design, fibre optics and laser technology.

Standard eight is usually adequate for entry to a training course, but everyone applying has to write an entry examination.

What sort of people take the courses offered by the PTEs? Many are school-leavers and those who have completed national service Some are older people seeking a career change, and others are employees whose companies pay for them to improve their qualifications

Most of the students pay for themselves, however, and it is "a heavy financial burden," according to Ryan. These people, especially, should check that the courses they take are registered with the Department of Manpower, otherwise they will not qualify for the tax benefits, which can be up to 75% of the cost of the course



□ Electronics student gains practical experience at Control Data Institute

How easily do the students find jobs once they have completed courses?

"If the student sticks to the level for which he has been trained he can usually get a job," says Du Preez

Perrins says the marketplace prefers experienced people, but almost all of those who qualify do get jobs "The brain drain is opening the way for the newly qualified," she says

According to Ryan, Omnitec receives frequent telephone calls from companies in need of trained staff Such jobs are displayed on a noticeboard

Are companies themselves doing enough to train staff? All three of the PTEs spoken to were emphatic that they are not. "There is a strong demand for engineers, both among computer companies and third-party maintenance organisations," says Perrins, "but there is a decided reluctance by companies to spend money on training"

This is partly due to the recession, she feels One positive sign, however, is that companies are responding to Control Data's customisation of courses to suit specific needs.

Covert sabotage in SA plants, says Unisa study

EVE POST 9/6/89

By BOB KERNOHAN
Business Editor

COMAPARISON between extremists who tried to stop the British Industrial Revolution and modern-day South African workers was drawn in the Project Free Enterprise report released today

Interviews with black managers, said the report, had made it clear that covert industrial sabotage was taking place on a large scale in many, if not most, industrial plants in South Africa

The report told of incidents in which metal objects had been dropped into moving machinery, many kilometres of conveyor belt ripped apart by the attachment of a sharp object at one end of the system and transport vehicles derailed

This had been the result of action by "modern-day Luddites", said the report, drawing the analogy between the 19th century English workers who rioted for the destruction of textile machinery that was replacing them

The Unisa report mentioned two other specific incidents of sabotage

"A potentially life-threatening situation occurred when highly inflammable gas escaped through an outlet which was supossedly sealed by welded plugs," the report said

"In another instance scheduled medicines were purposefully mixed up and incorrectly labelled"

Go-slows, not reporting mechanical problems and the loss or destruction of company property such as gloves, overalls and stationery were also symptoms of negative attitudes by workers to the private sector

A black manager quoted in the report said

"The (black) workforce know that they can work faster and better But they ask themselves why should they contribute to organisational efficiency if they do not stand to gain from it as well The social frustration that we (blacks) are experiencing due to the years of discrimination is now being vented on the companies

"The latest reforms have done nothing to alleviate this frustration These reforms have merely tinkered with issues affecting black-white social interaction, while the situation in the townships, the bureaucracy and laws controlling our lives have not been touched"

The report contains a comprehensive programme of political and economic reforms designed to counter the negative perceptions that workers have of the business sector and to promote an identification with the system of free enterprise

30/6/86 BUS DAY (180)

Directory of unlisted companies

Economics Reporter

ROBIN McGREGOR, who publishes the *Who Owns Whom* directory of companies, will issue a new compilation of unlisted companies next month.

The new listing, called *Who Owns Whom of Unlisted Companies*, will appear one month after the purchase by Dun & Bradstreet of 30% of McGregor's six-year-old operation.

McGregor's family company, Purdey Publishing, will retain control of the West Cape operation.

Dun & Bradstreet MD Marc Olsen said the investment would allow his company to expand its information services operations by merging McGregor's computerised database with its own.

The new directory, to sell for R49, will list 8 000 privately-held companies.

White bosses see a rise in unrest

28/6/86 SMR

180

By Sheryl Raine

More than 80 percent of white South African managers believe that increasing political unrest is the number one factor likely to cause them serious concern over the next five years

Three-quarters of white managers who responded to a recent attitude survey also felt that the laws governing influx control, separate amenities, universities, transport, entertainment, the Group Areas Act and the Land Act should be scrapped

But many felt that separate schools, the Population Registration Act and the tricameral Parliament should remain

The survey to establish white managements' attitudes to future social, economic and political change, was conducted by Professor Jill Nattrass of the University of Natal Development Studies Unit among more than 700 managers at all levels countrywide

Addressing a Southern African Stainless Steel Development Association conference in Johannesburg yesterday, Professor Nattrass said 81 percent of managers believed political unrest would be their main concern over the next five years

The slow pace of reform was the second factor managers felt was most likely to cause them serious concern by the year 1990, followed by difficult business conditions, sabotage and terrorism and family security

Managers believed that by the year 2000, family security would be their number one concern, followed by increased political unrest and the importance of black nationalism

Asked which party they would vote for if an election were to be called, 48 percent said they would vote for the Progressive Federal Party (PFP) followed by 45 percent for the National Party (NP), 24 percent for the New Republic Party and only 2 percent for the Conservative Party

Professor Nattrass noted an interesting correlation between age and choice of political party there was a swing to the PFP among younger managers — a sign she found positive in a changing environment.

Asked to list the three things they liked best about South Africa, most (89 percent) said the environment, followed by the economic aspects (79), and political aspects (45 percent)

Notwithstanding the poor economic climate of past years, economic factors were still part of the country's attractions, said Professor Nattrass

Asked to select factors which they felt were the major reasons for the present economic climate, 57 percent said poor management of the economy, 42 percent said tardy reform, 31 percent said international pressure, and 25 percent said internal unrest Withdrawal of foreign capital ranked fifth "It is evident that management place the responsibility for the present economic climate largely on the shoulders of Government"

As far as the future outlook of the country was concerned, she said management now clearly accepted that politics and economics were intertwined

In general, management remained optimistic about the future, but pessimistic about the short-term political situation.

PLAN OF ACTION

Asked to give their opinions of the present Government, a high proportion saw the Government as committed to reform, but with no plan of action Both NP and PFP supporters held this view

Looking to the future and whether or not they believed blacks would dominate the Government within their life-time, 56 percent of managers said Yes, 27 percent saod No, and 17 percent did not know

Interestingly, 44 percent of NP supporters believed blacks would dominate, 40 percent of Conservatives and 70 percent of PFP supporters

(180)

26/6/86
STAR

Employers under fire over silence on union detentions

By Sheryl Raine

The independent Labour Monitoring Group (LMG) has attacked the silence of the vast majority of employers over the state of emergency and the detention of at least 171 trade unionists.

The LMG said that by remaining silent most employers had cast doubt on their public commitment to the removal of apartheid

The LMG is an independent group of academic researchers from various universities and organisations who monitor labour developments closely.

In a report on the effect of the state of emergency on industrial relations, released yesterday, the LMG said: "In sharp contrast to the high-sounding claims in support of civil rights in the Federated Chamber of Industries' Business Charter, employers have been largely silent on the state of emergency."

Two important exceptions were AECI and the Premier Group, which had both issued strong statements.

A statement by the Chamber of Mines was criticised by the National Union of Mineworkers, which felt employers could intervene more directly with the State.

While the detention of at least 170 unionists in the last two weeks had temporarily disrupted trade union organisation, the movement's deep roots in the workplace would most likely mean that union organisation would continue

The impact of the state of emergency on labour relations had, however, been significant. A feature of the detentions was that 85 percent of those detained were from unions affiliated to the Congress of SA Trade Unions (Cosatu).

"At first appearance, trade union detentions have been haphazard, but in certain areas the logic is all too apparent," said the report.

"Unionists in northern Natal believe that the large-scale detentions of Cosatu leaders now leaves the field open for its recently-formed rival, the Inkatha-backed United Workers Union of SA (Uwusa) Some unions have claimed that their members have been put under pressure to join Uwusa"

In some unions, shopfloor workers and shop stewards had stepped into the breach left by officials and administrative staff in detention or in hiding.

Further, shopfloor workers were now taking direct responsibility for important wage negotiations.

Labour lawyers report that shop stewards, acting for union officials, are contacting them for legal advice.

The emergency had also affected industrial relations as a whole So far there had been more than 100 strikes by members of the Commercial Catering and Allied Workers' Union of SA (Ccawusa) in major retail stores in protest against the detention of unionists

Breakdown of those held

According to the Labour Monitoring Group, there are at least 171 trade unionists known to be in detention

No members of the Trade Union Council of SA (Tucsa) or the Inkatha-sponsored United Workers Union of SA (Uwusa) have been held

A breakdown of those detained shows 85 percent are from unions affiliated to the Congress of SA Trade Unions, including

- 36 from the Metal and Allied Workers' Union
- 16 from the Commercial Catering and Allied Workers' Union
- 11 from the National Union of Textile Workers
- 11 from the SA Allied Workers' Union
- Nine from the Paper Wood and Allied Workers' Union
- Eight from the National Union of Mineworkers
- Eight from the National Automobile and Allied Workers' Union
- Seven from the Food and Allied Workers' Union

Twelve percent of those detained are from unions affiliated to the Council of Unions of SA including eight members of Cusa's secretariat and

- Seven from the Transport and Allied Workers' Union
- Three from the SA Chemical Workers' Union
- Two from the Food, Beverage Workers' Union

Too few engineers can't fill the gaps

WILLIAM RAMWELL

ENGINEERING education is lagging far behind future manpower requirements and there are too few qualified graduates emerging from the educational mill. Academics blame the situation on cuts in government grants, resulting in falling standards and inadequate facilities. Grants to universities were cut by 15% during 1985 A further 2% cut will cost UCT R1,5m. "There's nothing we can do," says Pretoria University Dean of Engineering Professor Schoeman "Cutting back on staff and equipment is one way of coping, but that is having an adverse effect on the quality of the course we offer, and particularly on our research"

It is also affecting staff numbers. Universities have never paid market related salaries but academic life was attractive to some Now this is changing, less staff means more work and pressure and less time for research

And according to the Federated Society of Professional Engineers (Fespe) the shortfall of engineers in SA stands at over 1 800 — despite the recession Says Fespe's Professor Robert Plewman "We have estimated that in three years there will be three jobs available for each civil engineering graduate and two jobs for any other engineering graduate."

At a recent committee meeting held by the universities' eight deans of engineering faculties, grave concern was expressed about the alarming number of resignations of senior academic staff — some taking positions at overseas universities, others offered top jobs in industry. Relief is unlikely The committee believes suitably qualified people will be difficult to find to fill the new vacancies.

180

Fuel levy: Sasol cash on loan

BUS DAY

183

49

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19/6/86

Anger over funding of govt package

Business Day Reporters

ACCUMULATED profits from the sale of Sasol and the fuel levy will be used to finance government's stimulation package. This has aroused the ire of the Automobile Association and PFP spokesman for energy affairs Brian Goodall.

In his announcement of the simulatory package earlier in the week, Finance Minister Barend du Plessis said part of the R1,200bn to be injected into the economy would come from the Central Energy Fund (CEF) and the National Development Corporation.

However, it is believed the money will only be lent to government and will be repaid at a later date.

Mineral and Energy Affairs Director-General Louw Alberts was unable to say yesterday how much would be lent to government from the CEF, what interest, if any, would be paid for the borrowed funds, or how and when the money would be repaid.

The Minister of Finance and Minister of Energy Affairs are negotiating the terms of the deal before the enabling legislation is passed.

This means the money will, in effect, increase the deficit before borrowing in an unusual manner, which will not necessarily be reflected in the official deficit figures. This "internal" loan will not, however, put pressure on the capital market immediately.

The capital market reacted positively to Tuesday's announcement. Rates

● See Page 3

dropped yesterday because financing the package will not tax the market by government offering further issues of stock to the public.

The Automobile Association's (AA) public affairs controller Iona Reed said the fact that much of the funding for the various stimulatory projects would come from the CEF would do little to dispel the scepticism that had always surrounded the fund.

The AA urged the authorities to take

● To Page 2

P.T.O.

FIN MAIL 20/6/86

ECONOMIC CLOCK (180) (210)

Ticking back

The "typical business cycle" clock of the *FM Blue Chip Forecast* ticked backwards last month, reflecting a stumbling economy characterised by general uncertainty and political dithering

Delays in the long-awaited economic package, finally announced on June 17, did much to put the clock back The crucial factor, of course, has been widespread lack of confidence Whether the R1,5 billion package will change sentiment boils down to what will happen to the money that filters through to the consumer through the multiplier effect.

In its latest consensus forecast, *Blue Chip* says that, sadly, indications are that the trough reached in the fourth quarter of 1985 appears "to have been merely a pause in the downward trend " Production is down, and even "the stalwart mining sector is levelling off " Sales figures are "alarming," especially in credit-sensitive sectors

Blue Chip notes that the first-quarter trade surplus was just over half the amount earned during the last quarter of 1985, at R2,45 billion After service payments the overall surplus on current account for the first quarter is estimated at R1 billion, compared to R2,9 billion the previous quarter

Blue Chip says that, seasonally adjusted and annualised, the surplus narrowed from R11 billion in the fourth quarter to just R2 billion

However, Standard Bank says in its June *Review* that an improved outlook for world growth has opened the door for continued firmness or even improvement in the volumes and prices of many exports "If there is one lesson to be learned from a study of the business cycle in SA, it is that only those domestic expansions that flow from rising exports are sustainable

Temporary improvements

"Efforts to stimulate the economy, in the absence of a fundamental improvement in the international environment, have in the past led to very temporary improvements in production and employment and were responsible for creating balance of payments difficulties and exacerbating inflationary pressures "

Individual forecasters are increasingly gloomy, as indicated by their adjustments in the latest *Blue Chip Forecast*

In May, for example, Volkskas expects GDP of only 2,5%, down from its April projection of 3,5% Similarly, it now expects durable spending to be a *negative* 5%, as opposed to 1% growth estimated in April, while the inflation forecast is revised to 17,5% (17%) The current account surplus has also been revised down to R4 billion ■

6

Cape Times 23/6/86

(180)

Factories working far below full potential

By DAVID FURLONGER

MAJOR sectors of SA manufacturing industry are working at less than one-third of full potential.

While most figures show overall capacity utilization of more than 80%, they mask a picture in which billions of rands is going to waste in under-used — and unused — machinery and technology

Published figures relate to capacity assessed on current production. If market difficulties force an industry to cut back from two shifts a day to one, its assessed production capacity is also halved to take account of single-shift capacity.

To talk of 80% utilisation in such industries, therefore, is to talk of 80% of 50% of true capacity.

Reduced

And in those industries and corporations that have "mothballed" unused machinery and production lines, one is talking of 80% of 50% of reduced capacity.

All this is without taking into account four-day weeks and the fact that most modern manufacturing equipment is capable of round-the-clock, three-shift operation

At the end of the day, therefore, where an industry is reduced to single shifts, such equipment is being used at considerably less than one-third of its full potential

Stellenbosch University's Bureau for Economic Research (BER), in its recent manufacturing survey, estimated industrial production capacity utilization in the last quarter of 1985 to be 84,3%, compared to 85,7% in the corresponding 1984 quarter.

BER researchers say figures for the first and second quarters this year are expected to show a slight improvement on the corresponding 1985 quarters.

Expectations

However, both they and Federated Chamber of Industries (FCI) officials add that all these figures are based on reduced capacity expectations caused by working cutbacks.

"Some industries could more than double their capacities simply by returning to normal working conditions"

Certain industrialists, while conceding that official production figures hide a much gloomier picture, dislike the notion that they are operating at less than one-third of potential

According to Volkswagen MD Peter Searle, who is president of the National Association of Automobile Manufacturers, (Naamsa), the motor industry is operating at approximately 50% of capacity

Working on a single-shift basis, it is is expected to produce 14 000 cars this year out of the 28 000 it could produce on its normal two-shift basis.

Says Naamsa director Nico Vermeulen: "When we measure production capacity, it is related to the normal operating hours of that company. The furthest we've been is a double shift."

Recovery

Sources at Seifsa — the Steel and Engineering Industries Federation — say some heavy engineering sectors are operating at only 45% of capacity This figure, too, is based on comparison with a double-shift system.

With little sign of markets picking up, and fluctuating exchange rates and political pressures making it increasingly difficult for manufacturers to find export markets, there is general agreement that present low production rates are with us for a long time to come, with all the unemployment and wasted investment it implies

Ironically, it is the sanctions threat that offers the most immediate prospect of recovery, according to some observers

Cut off from foreign products markets through all-out trade sanctions and disinvestment, there is no shortage of spare SA manufacturing capacity to take up the slack

Factories use third of potential

BUS DAY 180 23/6/86

Industrial capacity hits a record low

MAJOR sectors of the manufacturing industry are working less than one-third of full potential.

While most figures show overall capacity utilisation of more than 80%, they mask a picture in which billions of rands are going to waste in under-used — and unused — machinery and technology.

Published figures relate to capacity assessed on current production. If market difficulties force an industry to cut back from two shifts a day to one, its assessed production capacity is also halved to take account of single-shift capacity.

To talk of 80% utilisation in such industries, therefore, is to talk of 80% to 50% of true capacity. And in those industries and corporations that have "mothballed" unused machinery and production lines, that means 80% or 50% of reduced capacity.

DAVID FURLONGER
Industrial Editor

All this is without taking into account four-day weeks and that most modern manufacturing equipment is capable of round-the-clock, three-shift operation. At the end of the day, therefore, where an industry is reduced to single shifts, such equipment is being used at considerably less than one-third of its full potential.

Stellenbosch University's Bureau for Economic Research (BER), in its recent manufacturing survey, estimated industrial production capacity utilisation in the last quarter of 1985 to be 84,3%, compared to 85,7% in the corresponding 1984 quarter.

BER researchers say figures for the first and second quarters this year are expected to show a slight improvement

● To Page 2

BUS DAY 23/6/86 180

Industrial capacity slumps

● From Page 1

on the corresponding 1985 quarters.

However, they and Federated Chamber of Industries (FCI) officials said all these figures were based on reduced capacity expectations caused by working cutbacks.

They said "Some industries could more than double their capacities simply by returning to normal working conditions."

Certain industrialists, while conceding that official production figures hide a much gloomier picture, dislike the notion that they are operating at less than one-third of potential.

Volkswagen MD and National Association of Automobile Manufacturers' (Naamsa) president Peter Searle says the motor industry is operating at about 50% of capacity. Working on a single-shift basis, it is expected to produce 14 000 cars this year out of the 28 000 it could produce on its normal two-shift basis.

Naamsa director Nico Vermeulen says "When we measure production capacity, it is related to the normal operating hours of that company. The furthest we've been is a double shift."

Steel and Engineering Industries Federation (Seifsa) sources say some heavy engineering sectors are operating at only 45% of capacity. This figure, too, is based on comparison with a double-shift system.

With little sign of markets picking up, and fluctuating exchange rates and political pressures making it increasingly difficult for manufacturers to find export markets, there is general agreement that low production rates are here for a long time to come — with all the unemployment and wasted investment it implies.

Some observers say it is the sanctions threat that, ironically, offers the most immediate prospect of recovery. Cut off from foreign products markets by trade sanctions and disinvestment, there is no shortage of spare SA manufacturing capacity to take up the slack.

24/6/86 BUSDAY 180

Manufacturing increase

DAVID FURLONGER

CHANGING holiday patterns enabled the physical volume of manufacturing production in April to show the first year-on-year increase for nearly two years.

On a 1975 base of 100, April's preliminary indexed figure of 117,1 — compared with 116,6 in April 1985 — was the first year-on-year improvement since August 1984.

But this year's Easter weekend fell in March, and not April as in 1985. The result was more production days in April this year.

According to figures from Central Statistical Services, increases occurred in 15 of the 27 manufacturing groups.

Rembrandt sitting pretty on a huge pile of cash reserves

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STAR 25/6/86

By Peter Farley
Investment Editor

Diversified investment conglomerate Rembrandt once again came up trumps in the year to end-March with a 36 percent rise in net income to R382 million and a 30 percent increase in capital employed to a shade under R4 billion

The Stellenbosch-based holding company — with interests ranging from tobacco and liquor to banking and heavy industry — has produced a set of results that would make good reading in even the most buouyant economic conditions

Anton Rupert

However, much of the group's resilience can be attributed to its extensive overseas investments and its huge cash pile — now thought to exceed R1 billion — rather than its domestic activities

The group's final dividends were announced a couple of months ago, with payments lifted by almost 20 percent to a total of 100c for the year from 84c in financial 1985

But with the leap in earnings, possibly not fully accounted for when the dividend was announced, cover has crept up to 5,3 times from 4,9

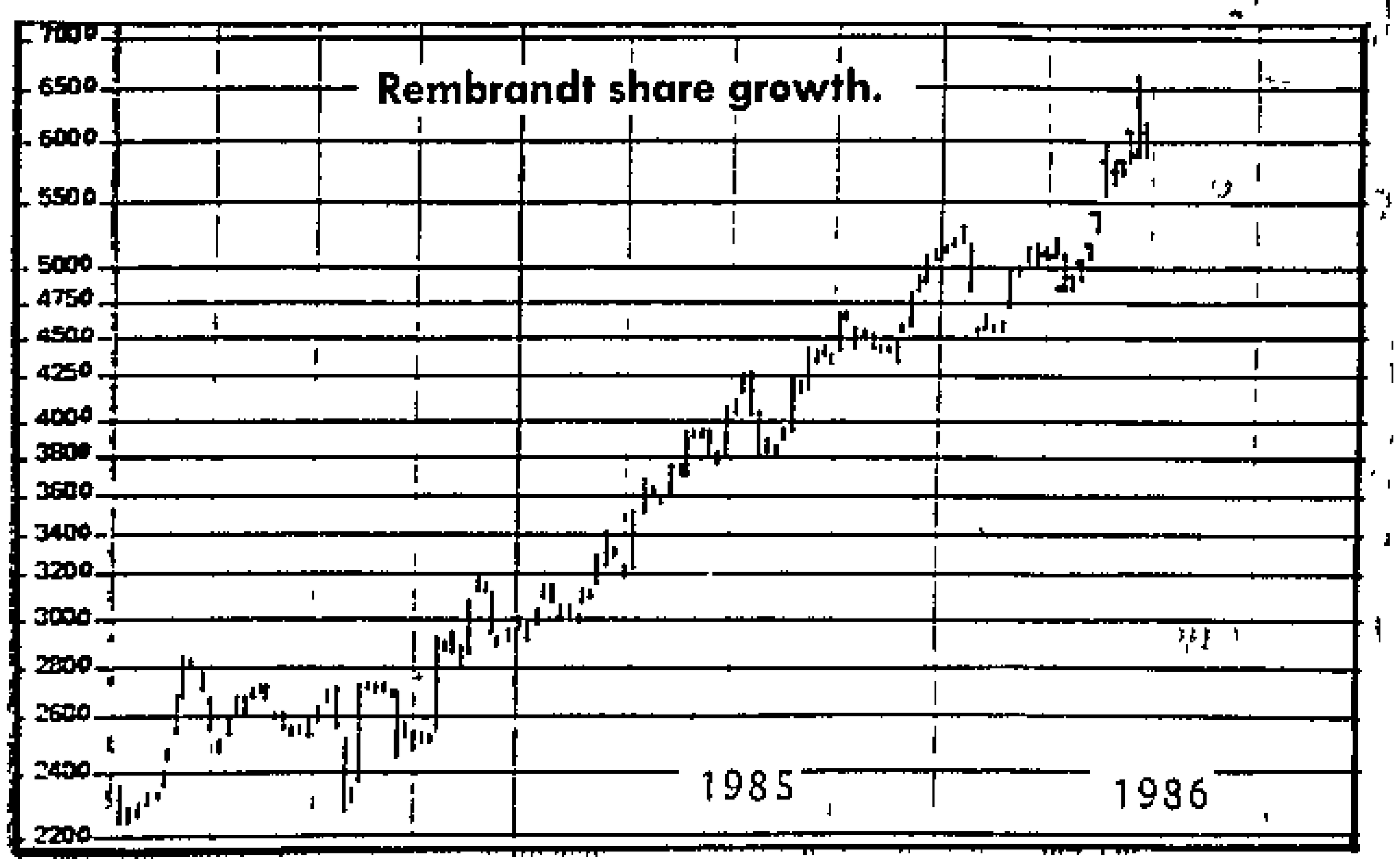
The figures released yesterday do not give any indication of where the growth has been generated

In fact there is no explanation of either the leap in extraordinary income to R102,5 million from R4,3 million or the near doubling of the group's share of net income from associates to R104 million

If these two are added to the bottom line, net income leaps to R484,4 million from R278 million — an increase of almost 75 percent

The jump in capital employed to almost R4 billion, of which some 98 percent is shareholders' funds, is partly through the addition of net income less dividends — R330 million — but more because of R454 million added in after the revaluation of foreign assets

The report does point out that this latter figure is vulnerable and could well be reduced should the rand appreciate significantly in the current year But the group's conservative



treatment of its foreign holdings and exchange rate-based revaluations suggests that there would have to be a substantial upwards movement in the rand for there to be much of an impact

On the local front Rembrandt has had a reasonably quiet year, by its standards, with new developments including the acquisition of control of Hunt Leuchars and extending plans to list its growing group of private hospitals

The engineering and steel investments are likely to have had another pretty difficult year, while the industrial interests in 30 percent associate Volkskas meant that the banking group produced no earnings growth last year

The share price has reflected the massive contribution from offshore investments to the group's bottom line and currently stands at 6 600c — up from only 5 000c at the beginning of the year and 2 800c at the start of 1985

The increased dividend has been more than taken into account and the share now only offers an historic yield of 1,5 percent It is certainly fully valued, though with little consideration of the underlying assets, but will almost certainly continue to attract interest as a hedge against the rand

Public sector should do more, says BER

2/7/86 (49) 180 B. DAY.

FIRST signs of a levelling out in manufacturing activity are beginning to emerge, says Stellenbosch University's Bureau for Economic Research (BER)

However, it warns that any long-term recovery will be limited by an "alarming" 46,3% fall in manufacturing fixed investment and suggests the public sector should take a bigger stake.

The BER's latest *Manufacturing Survey* says that while signs exist of slightly improved conditions, recent falls in the rand have further dampened the mood among manufacturers, and "no significant improvements have yet materialised".

DAVID FURLONGER
Industrial Editor

Real activity in the manufacturing sector began improving in the first three months of the year, relative to the corresponding 1985 period

After a 5,5% year-on-year decline in production volume in 1985, production in the first quarter of 1986 rose 2,3%, compared with January-March 1985 This improvement is likely to continue in the second and third quarters, based on manufacturers' expectations of sales and orders

The improvements — many export-related — are so small, however, they are unlikely to have a major impact on production capacity utilisation

"Survey results suggest that utilisation was still at a low level during the first quarter of 1986. Only a slight improvement might have materialised in the second quarter of 1986."

2/7/86 BUS DAY

Govt boost for small business

TRADE and Industry Minister Dawie De Villiers yesterday announced the acceptance of recommendations for the deregulation and development of small business.

De Villiers said government was confident the recommendations, which were now being implemented, would contribute to deregulation as well as the promotion of small business development and developing communities

The President's Council committee for economic affairs, which made the recommendations, concentrated on establishing a framework for a more effective policy for small business development as well as deregulation of legislation and regulations.

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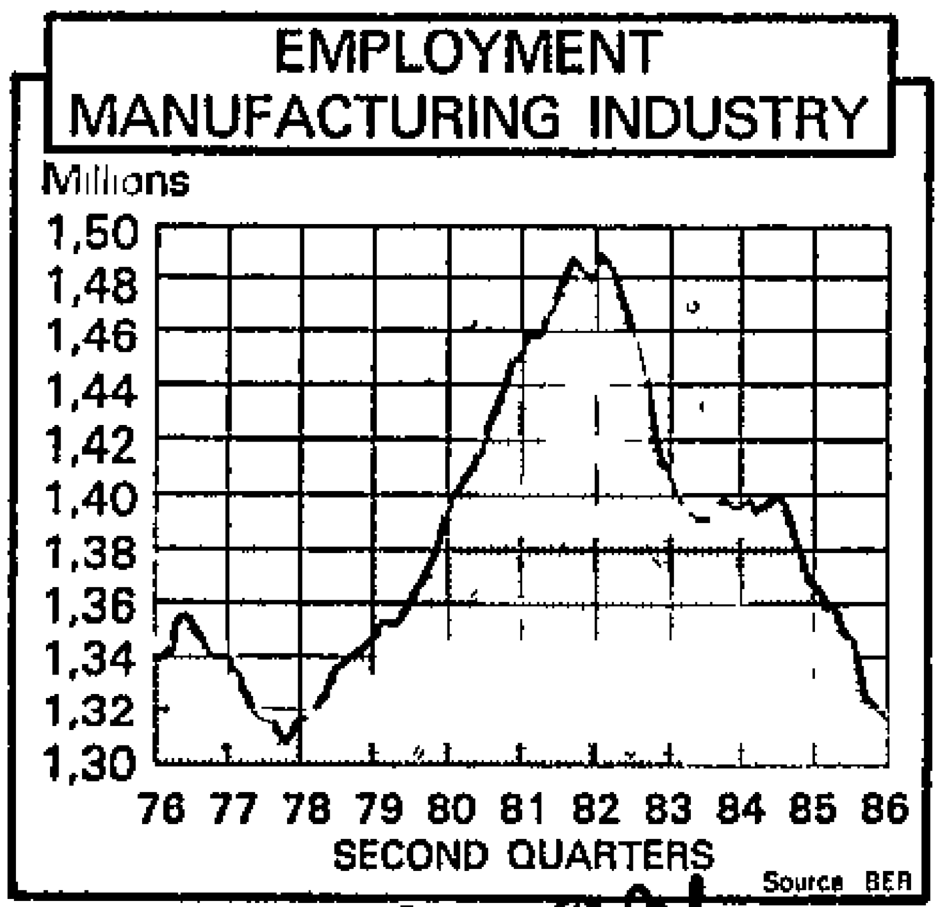
● Comment Page 6



BUS DAY 4/7/86 180

More jobs go in slowdown

DAVID FURLONGER
Industrial Editor

THE slowdown in manufacturing production is having a devastating effect on unemployment figures

Manufacturing has increased its share of total employment to the point where any lessening of production activity is felt throughout the jobs' market more heavily than ever before.

Stellenbosch University's Bureau for Economic Research (BER), in its latest *Manufacturing Review,* says manufacturing's share of national employment has risen steadily since World War Two, from 12,4% in 1946-50 to 19% in 1981-85.

Traditional heavy users of manpower have seen their shares decline. Agriculture, once the biggest employer, has seen its share fall from 26,4% to 11,2% and mining from 12,5% to 9,8%. Even domes-

● To Page 2

BUS DAY 4/7/86 180

Manufacturing: more jobs go

● From Page 1

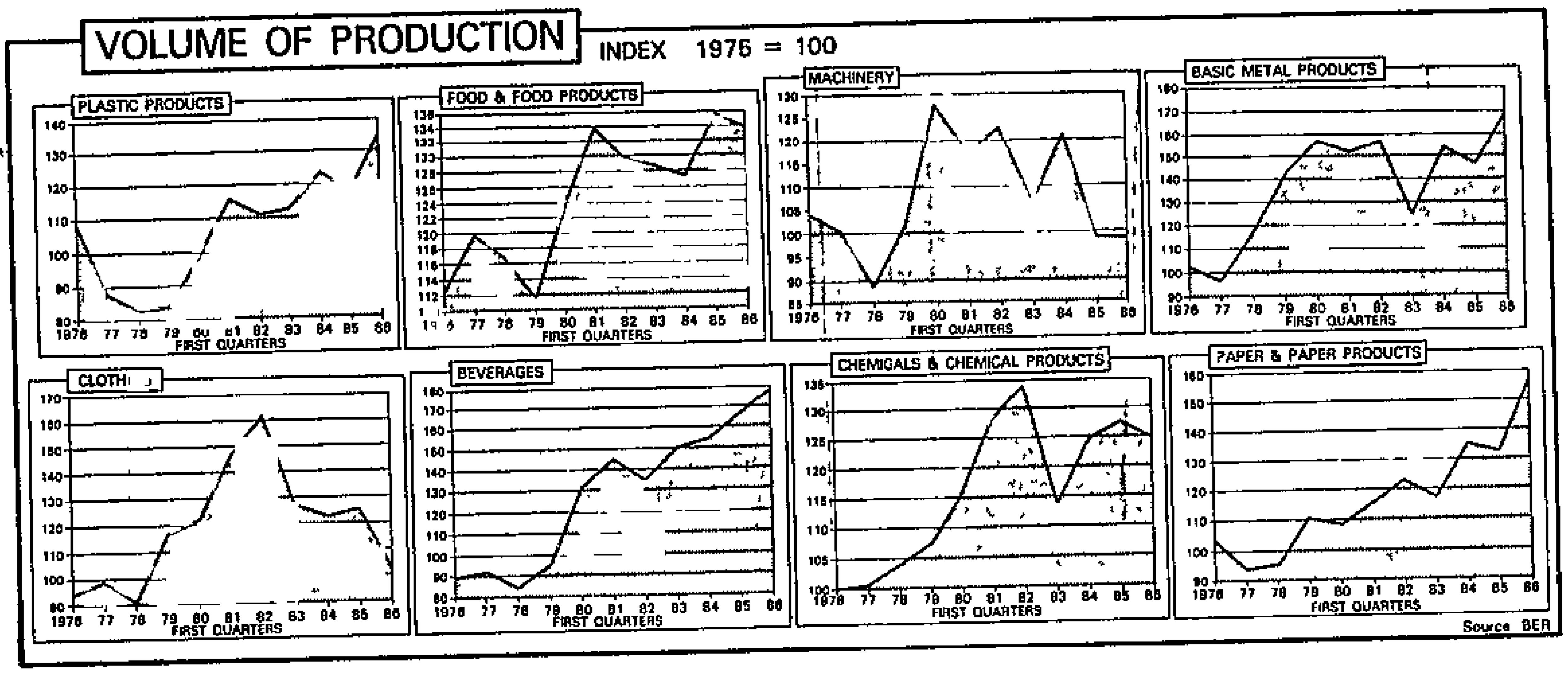
tic servants, who once accounted for 16,8% of the country's workers, are down to 10,9%

The only area to come anywhere near manufacturing in terms of total employment is the service sector, which employs 17,8% of the working population Unlike manufacturing, however, this is comparatively recession-proof, containing a large slice of the public service.

An examination by the BER of 19 manufacturing industries shows that 17 employed fewer workers in the second quarter of this year than in the corresponding three months of 1985

Nearly half the industries reported lower production levels than in 1975 In some industries, not a single producer is working at full volume

● See Page 6



Employment bears brunt of industry's lethargy

BusDAY. 1/7/86 180

DAVID FURLONGER/Industrial Editor

MANUFACTURING activity is at such a low ebb that, in some industries, not a single company is working at full production The latest *Manufacturing Survey*, released this week by Stellenbosch University's Bureau for Economic Research (BER), reveals that nearly half the country's manufacturing sectors are operating at lower production volume levels than they were 10 years ago

Of the 19 sectors examined in the survey, 17 employed fewer workers in the second quarter of this year that in the corresponding three months of 1985

While production capacity utilisation hovers between 75% and 91% in the various industries, figures take no account of the fact that they are based on reduced capacity expectation

If an industry cuts back from two shifts a day to a single shift, its assessed capacity potential is also halved Likewise, plant closure and lay-offs can also reduce this assessed capacity

This becomes clear in the BER survey, where several industries with apparently healthy utilisation levels are in fact operating at low production levels and with hugely reduced workforces

Manufacturers of rubber products, for example, appear well-off, with 82,1% capacity utilisation in the fourth quarter of 1985, the last period for which official figures are available

A closer look at the industry, however, reveals a much-reduced workforce, a production volume index — on a 1975 base of 100 — of 74,2, and the fact that not a single company is working flat out, even at reduced capacity

The one bright spot is that, in all but four sectors — wood, transport equipment, fabricated metal products and printing and publishing — production in the second quarter of this year is up on the corresponding 1985 quarter

Government figures for April showed the first year-on-year increase for nearly two years On a 1975 base of 100, April's preliminary indexed figure of 117,1 — compared with 116,6 in April 1985 — was the first year-on-year improvement since August 1984

The figures are slightly distorted, because this year's Easter weekend fell in March and not April, as in 1985 The result was more production days in April this year

Nevertheless, BER figures appear to confirm the second-quarter trend towards better production

Less optimistic is Seifsa, the Steel and Engineering Industries Federation Reporting that physical volume of production in the metal industries during 1985 was 7,7% down on 1984, it comments "Reports to Seifsa during the first quarter of 1986 show no correction to these depressed levels of output."

Some industries remain relatively buoyant, according to *Manufacturing Review* Most notable are beverage manufacturers, who boast a production volume index rating — on a 1975 base of 100 — of 179,7 The foods sector, too, is relatively healthy, at 133,8%

Paper (158) and basic metal products (169) remain well-placed, largely through export efforts, while plastics (136) and chemicals (125) reflect the growing importance of these industries throughout the world

At the bottom of the scale are transport equipment manufacturers (63), rubber (74), fabricated metal products (76) and electrical machinery (85)

Other sectors producing at below 1975 levels are furniture (97), leather (95), non-metal mineral products (94) and general machinery (89)

Printing and publishing, clothing, textiles, footwear and wood are all operating slightly above the magic 100 index level

Manufacturing Review expresses concern at the effect these low activity levels are having on the country's unemployment problem

Manufacturing's share of total national employment has risen steadily since the Second World War, from 12,4% in 1946-50 to 19% in 1981-85 As a sector, it is now the biggest single employer in the economy

Traditionally heavy users of manpower have seen their shares decline in the same period — notably agriculture, from 26,4% to 11,2%, mining, from 12,5% to 9,8%, and domestic servants, from 16,8% to 10,9%

This change in employment emphasis leads to an added problem — the presently low level of new fixed industrial investment

Claiming that real fixed investment fell 46,3% between 1980 and 1985, *Manufacturing Review* warns that any eventual upturn in production and employment will be limited by manufacturing capacity

'Due to slack real activity levels, employment in the manufacturing sector has declined continuously since 1982 Should activity improve, employment will pick up, but only to the level where production capacity is fully utilised

"Further employment increases will be restricted by inadequate levels of fixed investment These adverse prospects for employment expansion in the manufacturing sector will have a significant impact on total employment

"The 46,3% drop in real fixed investment in the manufacturing sector will thus have a substantial detrimental effect on employment creation for some years to come"

TCI repeats call to release or charge leaders

180

MICK COLLINS

THE Transvaal Chamber of Industries (TCI) has once again called on government to charge or release union leaders.

In a special notice the TCI has encouraged members to lend support to families of detainees and has laid down guidelines for employers.

It says if an employer suspects a particular employee has been detained, the local commissioner of police should be contacted. Should there be problems, the TCI will assist.

It suggests that it would be good industrial relations practice for employers to.

- ☐ Try and obtain confirmation of the detention from the police and the relevant section under which the employee has been detained
- ☐ Communicate clearly to affected workers that the employment relationship with detained workers will not be affected by involuntary absence from work
- ☐ Send reading matter to the detainee if the place of detention is known.
- ☐ Inquire from the detainee's family whether they require any assistance, financial or otherwise.

The TCI says documents relating to bona fide trade union matters can be distributed on company premises.

"Bona fide trade union meetings can be held indoors, except in certain areas where certain organisations or groups are not allowed to have meetings in terms of orders by the commissioner of police.

"Currently this affects Cosatu in the Western Cape in six districts. Simonstown, Wynberg, Goodwood, Bellville and Kuils River.

"The chances of conducting peaceful meetings will be enhanced by keeping the meetings as small as possible, and indoors.

"Outdoor meetings, whether on or outside company premises, may only be held with the authorisation of a local magistrate or the Minister of Law and Order."

On the subject of strikes, the TCI says the Minister of Law and Order has stated publicly that the security forces will not interfere.

FCI's appeal as national stayaway looms

Industry in 11th-hour bid to prevent strike

(180) WEEKLY M 11/7/86

By PHILLIP VAN NIEKERK

THE Federated Chamber of Industries (FCI) yesterday made a last-minute approach to the Congress of South African Trade Unions (Cosatu) in a bid to stave off Monday's proposed "day of action" by workers

Bokkie Botha, deputy chairman of the FCI's manpower commission said yesterday that the FCI had made a last-minute approach to Cosatu yesterday but said he could not divulge the contents of the approach as he had not yet had a reply from Cosatu

But in an exclusive interview with the Weekly Mail, three key Cosatu leaders said workers were angry at the crackdown on unionists under the State of Emergency and Cosatu was unable "to hold them back any longer"

A Cosatu statement yesterday said "Cosatu is one of the chief targets of the present crackdown Scores of our leaders are detained or in hiding, many offices are closed and our statements have been censored

"The industrial relations system which workers have painstakingly established over the years has been rendered almost unworkable "

The three leaders interviewed yesterday — Chris Dlamini, vice-president of Cosatu, Sidney Mafumadi, the assistant general secretary of Cosatu, and Paul Nkuna, the union federation's Witwatersrand chairman — were scathing about the response of employers to the Emergency and to Cosatu's demands

The Cosatu position is notably different to that of two smaller federations — the Council of Unions of SA (Cusa) and the Azanian Confederation of Trade Unions (Azactu) — who have proposed that employers and unions form a united front against the government

The common front idea was mooted by employers at a meeting between Cosatu and the FCI this week, but was rejected by Cosatu, which has demanded that employers be more vocal in their opposition to the Emergency and not rely on behind-the-scenes lobbying.

Explaining the day of action, Dlamini said "Workers said the government should lift the State of Emergency and release union leaders.

"As these demands have not been

●To PAGE 2

Employers in bid to halt strikes

WEEKLY M. 11/7/86

●From PAGE 1

acceded to, workers are now saying they will be involved in effective action If there is no response from the state by Monday, we will have to consider what further action to take "

Mafumadi conceded that some of Cosatu's demands — principally those involving payment of detainees and workers forced into hiding, and meetings on company premises in company time — had been agreed to by employers.

But, he said, Cosatu felt it "high time that employers took an unequivocal stand on conflict in South Africa.

"If one listened to the State President when he announced the declaration of the State of Emergency, he said its principal aim was to restore business confidence by bringing radicals to book.

"Employers pay for the upkeep of the state while pretending to support our demands. We know very well that the state is there to protect private property and that employers could force the state to change if they wanted to," he said

Dlamini said the actual form of action on Monday would be decided at a regional level.

Nkuna, who is also an executive member of the National Union of Mineworkers (NUM), said it was expected the action seen on the mines in the past week — in which up to 20 000 workers embarked on go-slows, half-shifts and outright strikes — would probably be repeated on Monday by many workers

Meanwhile, Cusa has not supported the day of action. Cusa general secretary Piroshaw Camay said yesterday that some avenues existed, including joint action with employers, which needed to be exploited fully before mass action could be contemplated.

"National action could exacerbate the situation rather than obtain the release of workers and unionists. We want to return to the situation where the rule of law is applied in this country," he said.

Last night, Cusa issued a joint statement with the FCI and Assocom saying they believed "conflicts can be resolved through negotiations, discussion and compromise.

"We therefore urge that all acts of violence, from whatever source, cease ..." it said.

A spokesman for the FCI said yesterday they had directed their employers not to take precipitous action against workers over Monday's day of action and to apply the principle of "no work, no pay".

However, many employers are believed to be taking a harder line against Monday's action

Bokkie Botha, of the FCI, said he did not believe Monday's action would force the state to lift the Emergency or to release detainees.

"There will be a hardening of attitudes if employers bear the brunt of political decisions and are acted against without being able to do anything about it."

PAT SIDLEY reports that Rob Childs, of the Premier Group, said employers were roughly divided into two groups.

There were those who lobbied government and felt their negotiations would be jeopardised by publicity and those who felt they had to stand up and be counted, at least partly because the government wasn't the only body to be addressed — the general public had to be informed of a company's stand.

"We think the latter is the most important," he said. Of the representations made to the government, he believed they had had differing effects.

Some seemed to have a better understanding than others of the problems labour and business were facing.

STAR 24/7/86

Job situation could worsen

24/7/86 STAR

(180)

By Michael Chester

A dramatic slump in fixed investment in the South African business sector has caused a growing number of economists to voice alarm over the threat of still worse unemployment problems pouring into the pipeline.

They add a warning that the more prolonged the slide in investment flows — especially into the industrial sector — the faster the erosion of chances to create the 300 000 new jobs needed every year until the turn of the century even to hold the lid on the unemployment cauldron.

Moreover, researchers are concerned that trends cannot all be blamed on overseas political pressures Evidence is mounting that investors at home are showing equal reluctance to pledge cash for business expansions or new industrial or commercial ventures.

Researchers at the Sanlam insurance company have revealed that gross domestic investment is at its slowest pace since the early 1970s.

Particular concern has been voiced over a plunge in fixed investment in the manufacturing sector from R4 334 million in 1980 to only R2 328 million last year

Sanlam says dismay turns to alarm when analyses make room for spending on the mere replacement of existing assets — the simple renewal of worn out or obsolete equipment in factories and offices — and concentrates on expenditure on actual expansion or new ventures.

At current prices, even making allowance for the shrinkage of purchasing power because of inflation and devaluation of the rand exchange rate, overall net domestic investment has slumped from about R15 billion in 1980 all the way down to below R5 billion last year

The downward slide has worsened in 1986 Liberty Life, another insurance giant with vast industrial interests, has noted with equal alarm that gross fixed investment dropped a further 13 percent in the first three months of the year

Compared with a year ago, it was down a further 9 percent in the private sector, despite all the capital expenditure in the mines, and an even sharper 18 percent in the public sector

"The trend of reducing investment in our infrastructual resources," says a fretful mid year review by Liberty Life, "must inevitably shrink our production capacity per capita and our future employment creating potential."

REPEATED MISMANAGEMENT

Nor can the decline of new fixed investment be blamed entirely on the current entanglement of international political hostility, waves of black unrest, threats of sanctions, the imposition of a state of emergency

Dr Azar Jammine of Econometrix told me "The blame cannot all be thrust on the political mess and overseas disinvestment pressures. Much of the blame must also be carried by the Government over its repeated mismanagement of monetary and domestic economic policies

"True, investment patterns depend heavily on political events and their impact on levels of business confidence. That is the negative influence in everyone's mind at the moment and hitting the newspaper headlines.

"But there has been a sustained shrinkage in new fixed investment that started long before the current political rumpus — and the reasons can be found in the profound disappointment in the economic policies followed by the authorities for several years now

"There were warning signals, largely unnoticed or else ignored, when economic growth slowed to an annual 3,7 percent in the 1970s

"It's true that much of the decline in confidence is related to politics However, there are also fundamental economic factors which have increased the reluctance of foreigners to invest here."

How and when did the wheels come off?

Dr Jammine suspects that investors first heard the rattle in the wheels when South Africa was lulled into deafness about the clatter of repeated failures of Budgets to stay on target year after year from the 1970s onwards

"It started in the 1970s when the gold price took off — and Government spending increased so fast it deprived the private sector of any chance to exploit the boom," he reflects.

"When the gold boom reached its peak around 1980, the increased revenue was squandered in the creation of a credit explosion — popular with the general public at the time by causing a short-lived bonanza that resulted only in still higher inflation and terrible debt hangovers for everyone.

"Several manufacturers take the attitude that there will be room for more recruitment when they start filling up on existing production capacities as and when any real economic revival begins.

"But that makes no allowance for essential modernisation schemes, brand-new high technology industries and the totally new business ventures that will be vital to longer term solutions to economic problems.

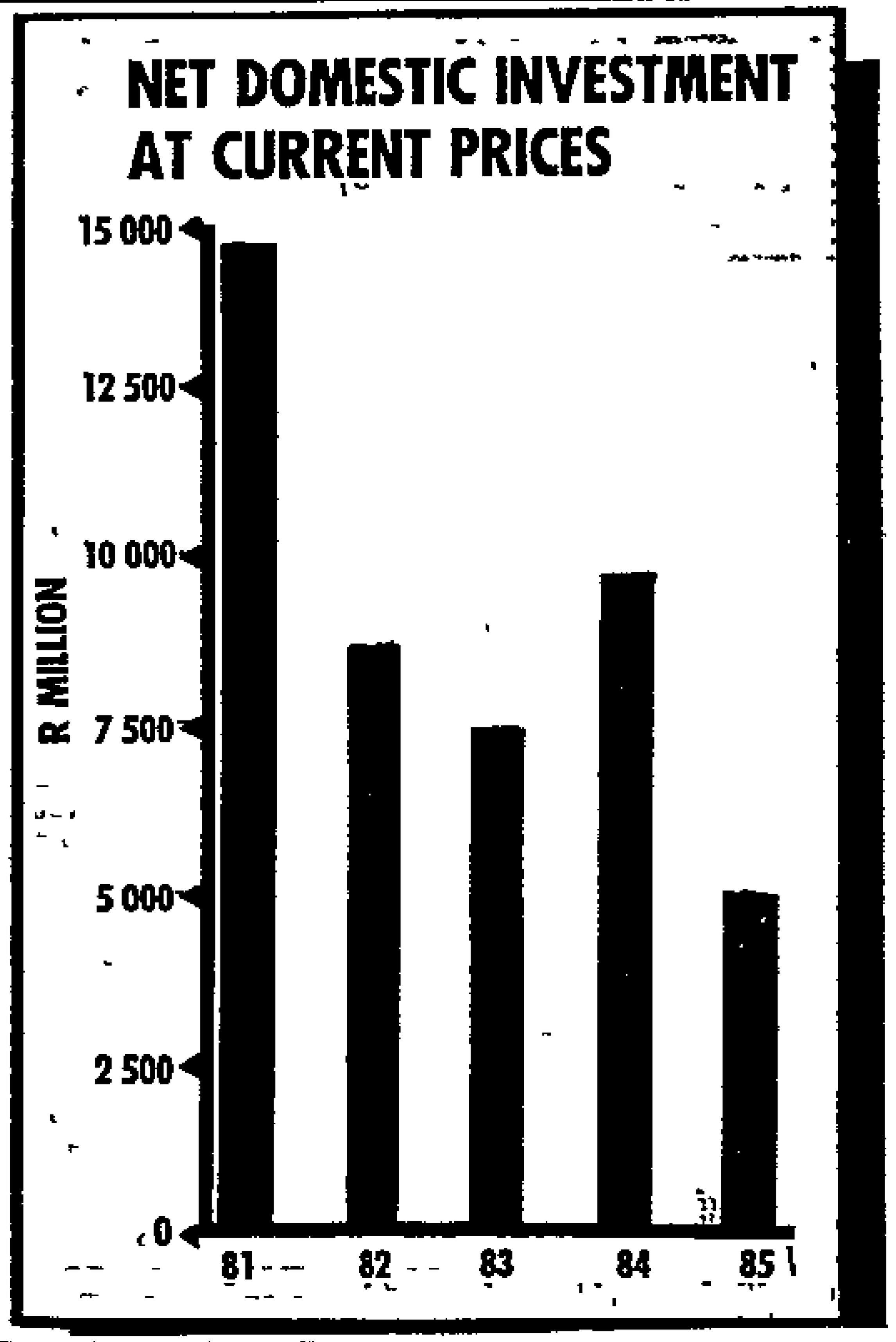
"We need to look at the far horizons — now."

GROSS DOMESTIC FIXED INVESTMENT (AVERAGE ANNUAL GROWTH)

	1961-1970	1971-1980	1981-1985
PRIVATE	8,4	3,8	−0,5
PUBLIC	7,9	1,8	−3,0

● A bar chart prepared by Sanlam economists shows in stark outline how investment in actual expansion has shrunk — all the more so when spending on the mere replacement of basic assets is taken away

● Econometrix lays out a track record that shows how the average annual growth in gross domestic fixed investment has swung from positive to negative since the 1960s



TCI appeals for education action

Sowetan 29/3/85 (180)

MICK COLLINS

TRANSVAAL Chamber of Industries (TCI) has appealed for joint employer-trade union action to counter the problems of black schooling.

In a weekly bulletin, the chamber said growth in the urban black population was between 2,6% and 2,8% a year.

"This is throwing tremendous strain on the black education structure. As a result, young blacks who drop out due to coercion or voluntarily, are usually not able to re-enter because of pressure on classroom capacity."

The TCI called on employers and trade unions to examine the problem jointly.

"Unions and employers have worked together before to set up training schemes, usually through the medium of the industrial council. Many employers have experienced initial difficulties in opening negotiations but these have been overcome."

The chamber also suggested the use of spare-time television as a medium to educate young blacks.

EP 1/8/86

'Banish self-pity, make an effort'

Post Reporter

BUSINESSMEN in Port Elizabeth should stop complaining, try to correct the Eastern Cape's negative image and study and use all possible opportunities available to them

This was the message delivered to the Afrikaanse Sakekamer yesterday by Prof Charles Wait, co-ordinator of the East Cape Strategic Development Team (ECSDT)

Businessmen, he said, should try to correct the region's negative image.

"For example, we should not see the unemployed people as a problem, but rather argue that we have a large supply of skilled and experienced workers"

On the question of opportunities, he said it was incredible that Port Elizabeth manufacturers still did not know what their possible share in the Mossel Bay off-shore gas project could be

Prof Wait, who is Dean of the Faculty of Economic Sciences at the University of Port Elizabeth, outlined the composition of the 22-man committee and emphasised that it was more than "just another committee" because it had executive powers

Four sub-committees dealing with relations, upgrading, industrial strategy and the consolidation of Berlin had already started work, he told the meeting

8/8/86 FIN MAIL

180

MANUFACTURING

Going for the gap

As South African industrialists are confronted by the spectre of sanctions, they are increasingly turning to the option of expanding local markets in the hope of maintaining employment and production levels

However, there's growing concern among them at government's apparently unco-ordinated approach to one of the main avenues to that aim — import substitution

On the one hand, motor manufacturers face punitive penalties if they do not meet at least the statutory 66% local content by mass In practice, says National Association of Automobile Manufacturers (Naamsa) president Peter Searle, this is already closer to 70%, and any moves to increase the percentage would be counter-productive because they would mean massive capital investment

On the other hand, many industrialists and economists believe that import substitution, because of national necessity, may be the only hope for the ailing manufacturing sector They say that President P W Botha's exhortation to the public service to "buy local" is not sufficient — what is needed is an integrated approach so that producers can discover market demand and make use of spare manufacturing capacity

Deputy Finance Minister Kent Durr says it has been policy to encourage import substitution for more than 30 years, and that all initiatives, whether from the private or public sectors, are co-ordinated by the Department of Trade and Industry

But he admits there are several organisations involved in the implementation of the policy, notably the Board of Trade, the IDC and the CSIR

The CSIR's techno-economic services group conducts feasibility studies for industrialists, businessmen and research managers It analyses imports and exports, local production, availability of raw materials, manufacturing methods and marketing and distribution

Another group, the production engineering advisory service, aims specifically to reduce dependence on imported technology It assists mainly small- to medium-sized enterprises employing less than 200 people. These represent 90% of South African companies, 35% of employees, and 31% of the gross output value

In the private sector, the Federated Chamber of Industries (FCI), the Afrikaanse Handelsinstituut and Seifsa last conducted a joint survey of import displacement possibilities in 1977

However, FCI information services director Jan de Jager does foresee that an increase in import substitution will have a significant effect on employment creation, as well as on the utilisation of spare manufacturing capacity

Of the 1 225 manufacturers polled in February by the Bureau for Economic Research at the University of Stellenbosch, only 15% were working at full capacity

But neither Durr nor De Jager sees a need for a separate organisation to co-ordinate the use of spare capability.

Says Durr "Obviously we are not going to allow new capacity to be created where there is slack to be taken up."

And De Jager adds "No producer is going to create a manufacturing facility if he can find someone else to do the job This information is available in the Industrial Directory of Unisa's Bureau of Market Research and the Register of Products at CSS "

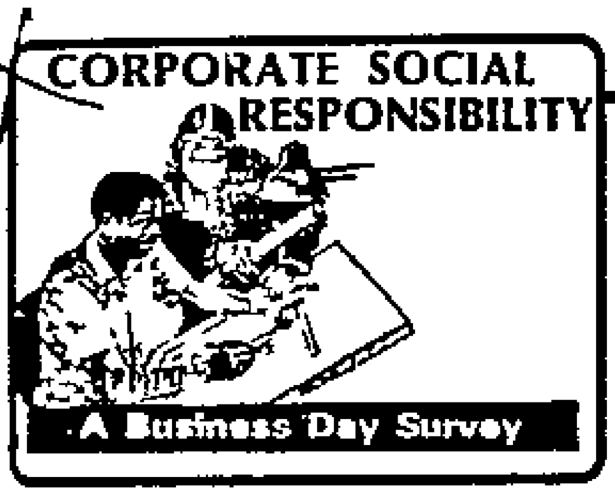
What of the potential for creating employment?

For that, as Reserve Bank Deputy Governor Jan Lombard says, is the real business of industrial development in SA

De Jager is certain that companies manufacturing for the local market, rather than those facing export restrictions, are likely at least to stabilise their employee requirements.

Durr says it depends on the commodity being manufactured, but that there is overall potential for employment creation

The fact remains, however, that the picture is blurred for most industrialists Something should be done to enlighten them before all focus is lost ■



(180) BUSDAY 8/8/86

Sullivan Code — hard at work in SA

SIOBHAN LOFTUS

The Sullivan employment practice code enjoys support from 200 US companies operating in SA We take a closer look at the workings of the code

THERE are several codes of employment practice in SA

Some of the cornerstones of the codes are equal pay for equal work non-segregation of the workplace, focus on black advancement, improvement of living conditions outside the work environment, recognition of trade unions and alleviaton of the effects of migratory labour

Businesses wishing to justify their continued presence in SA can choose among others, the Sullivan the SA Council of Churches, Urban Foundation European Community and British companies codes of ethics.

The most stringent of them all is the Sullivan Code the only one that monitors and audits the performance of its subscribers, demanding a real input of effort and funds.

More than 70 US companies have become Sullivan signatories since President Ronald Reagan s executive order in 1985 Designed to circumvent last year s sanctions bill the presidential order requires those US companies that are not Sullivan signatories, to submit an annual report on their SA activities to the State Department.

The 70 new recruits bring the total of Sullivan signatories to 200, and these have spent R175m on corporate social responsibility (CSR) projects in SA since 1977 Mobil allocated R40m to CSR projects this year, Coca-Cola and IBM have each contributed R30m.

To obtain a coveted "one" rating, time and money must be expended on the four major categories of assessment, education for non-employees, training and advancement of employees, community development and social justice.

Social justice

Assessment is done via an independent audit conducted by US auditors Arthur D Little to determine the amount spent in each category — research is carried out into the activities of the companies and each signatory is required to submit a report on its performance.

Company ratings and an overall report are published in the US every October While a "one" rating does not offer complete protection to signatories, universities and state pension funds that do not subscribe to sanctions may earn a good rating.

Roly Clark, president of the Signatory Association in SA, says priorities for 1986 include a closer working relationship with the African, coloured and Indian communities.

"We have been guilty of a degree of paternalism in the past and we aim to become less prescriptive in our efforts and more jointly participative," he says.

Another priority is improved communication. "We need to communicate our motives correctly — get across that we are developing the environment for a future that we believe in."

On the project side, greater emphasis will be placed on bigger joint projects Black advancement within companies and assistance to small businesses are a focal point this year

The fourth amplification to the principles, "social justice', which was added last December requires that companies assist in the rescinding of all apartheid laws. An example is the General Motors offer to pay legal costs for any of its employees prosecuted for being on segregated beaches.

"We are working towards a society that is free from discrimination, this is the way to open our doors to overseas investment and assistance in developing our economy," Clark maintains

Neville Davies CSR manager of founder member IBM, feels that the time scale of the code and its strict universal criteria should be revised.

"The Sullivan Principles provided a starting point for social reform initiatives, but in practice there are problems Many of our projects are scheduled for over a five-year period.

"Their success cannot be measured in one operating year Where one is employing primarily, graduates in an area that requires a great deal of technological expertise, it is difficult to meet staffing quotients within the time scales allocated.

"We have to train our technicians and managers for longer than a year in order to ensure that they are correctly employed and not token gestures put into place purely for the Sullivan audit," says Davies.

He feels that each company should set its objectives and be measured on its performance against them He believes this would create a greater commitment to the employment practice code and the quality of the initiatives undertaken.

"Rather than following a universal recipe, each organisation would be forced to look at its own needs and the best contribution it can make in areas such as black advancement and community development. The code would then be tailored to fit the organisational objectives and a more efficient practice would result," he adds

NCR s Sullivan co-ordinator Cliff Sinclair has a similar problem in the high technology areas

"The Sullivan objective is to fill vacancies that occur on the sales supervisory, management and professional levels with a quota of 50% white and 50% other cultural groups in the year under review It is extremely difficult to achieve this ideal — in fact very few companies have been able to meet the requirements But we have to keep trying he says

Corporate Council

"Community development, internal training and external education are areas where it is relatively easy to make a positive contribution in line with the principles. But the disadvantaged circumstances afforded them prior to their coming to us for employment, makes the internal staffing area difficult. But the objective and its underlying principle remain sound"

Black perceptions of the Sullivan Code have deteriorated over the years, with the Code being seen as a paternalistic effort by US companies to continue profiting from their involvement in SA This is the primary reason why some large organisations have turned down invitations to sign the principles.

Nevertheless, the Sullivan Code has forced a consciousness of social responsibility in US organisations operating in SA. It can take credit for more than 300 black schools being befriended by Sullivan companies, numerous clinics and welfare facilities being "adopted" vast investments in education and hundreds of other projects

Last September saw the formation of the US Corporate Council on SA Founded by Burroughs chairman, Michael Blumenthal, and General Motors chairman, Roger B Smith, the council is comprised of nearly 100 CEs of US corporations which are signatories to the Sullivan Principles

The council's purposes are two-fold, firstly to declare strong support for a prompt and non-violent end to apartheid in SA, and secondly to add a collective voice to the growing segment of the SA business community and South Africans of all races who are calling for a rapid end to ap theid and the building of a new society bas d on equality of opportunity, rights and ju tice for all.

SUMMARY OF THE MORE IMPORTANT CODES OF CONDUCT

	FOREIGN CODES			SOUTH AFRICAN CODES		
	SULLIVAN CODE (UNITED STATES)	BRITISH COMPANIES GUIDELINES	EUROPEAN ECONOMIC COMMUNITY CODE OF ETHICS	CAPE CHAMBER OF COMMERCE	SOUTH AFRICAN COUNCIL OF CHURCHES	URBAN FOUNDATION
SEGREGATION	Non-segregation of all eating comfort and work facilities	Aim of non-segregation but duplication of facilities if separation required by law	Everything possible to be done to desegregate in the factory		Non-segregation of races in all eating, comfort and work facilities	Removal of discrimination in all aspects of employment practice
EMPLOYMENT PRACTICES	Equal and fair employment practices for all employees	Fringe benefits For Blacks No discrimination in in any sphere of work including promotion	Improvement of fringe benefits	Select employ train and promote without regard to race or colour benefits to all	Equal and fair employment practices for all employees	No discrimination based on race or colour in job advancement and fringe benefits
REMUNERATION	Equal pay for all doing equal or comparable work	Fair wages above Poverty Datum Line and equal pay for equal work Reduce wage gap	Pay to be at Minimum Effective Level Equal pay for equal work	Determine salaries wages on principle of equal pay for equal work	Equal pay for all doing equal or comparable work	Elimination of discrimination based on race or colour
TRAINING	Initiation and development of training for large scale Black advancement	Internal or external training including artisan skills Stop usage of white immigrant, labour	Development of training programmes for Blacks	Select employ train and promote without regard to race or colour	Initiation and development of training for large scale Black advancement	Training programmes or facilities to improve productivity skills to achieve advancement in technical admin and managerial positions
DEVELOPMENT	Increase number of Blacks and and other non-whites in management and supervisory positions	Encouragement of training to develop full potential and non-racial promotion policy		As above	Increase number of Blacks and other non-whites in managerial and supervisory positions	No discrimination in selection, employment advancement or promotion of all employees
SOCIAL RESPONSIBILITY	Improve quality of employees lives outside of work environment	Fringe benefits to aid home purchases education food	Improvement of employees living conditions at home		Improve quality of employees lives outside the work environment	Accelerate the creation of employment opportunities at wage rate to maintain viable living standards
TRADE UNIONS		Encourage lawful collective bargaining with Blacks. Recognise Black Unions where they exist	Companies must recognise the right of the workers to be represented by trade-unions		Recognise and active encouragement of trade of trade unions	Recognition of basic rights of workers of freedom of association collective negotiation lawful strikes and protection against victimisation
MIGRATORY LABOUR		Choose locations which permit family based labour Legal aid for pass offenders		Employers must help to ensure freedom of choice as to place of work help alleviate effects of migratory labour	No migrant labour unless married accommodation provided	

Nordic pressure for UN sanctions

COPENHAGEN — The five Nordic countries agreed yesterday to press for measures designed to bring an end to apartheid in South Africa, with binding United Nations sanctions at the forefront

The Foreign Ministers of Denmark, Sweden, Norway, Iceland and Finland, who ended two days of talks in the Danish capital, promised to intensify efforts for effective sanctions by the UN Security Council

The ministers, holding a regular six-monthly round of talks, instructed a working group on South Africa to consider measures, including a joint Nordic trade boycott

They also vowed to increase humanitarian aid to Southern Africa and development aid to the Frontline states, and to work for UN agreement on assistance to South Africa's neighbours should it take reprisals — Sapa-RNS

25/5/86

d Argus, August 16 1986 ★

BUSINESS

SBDC project: Opportunity knocks for entrepreneurs

W/ Argus 16/8/86 (180)

Financial Staff

CLUSTER industries opportunities for small business people, especially small manufacturers have opened up with the launching of the Small Business Development Corporation's (SBDC) cluster industry projects in the Western Cape

The SBDC project at Athlone has progressed extremely well, a spokesman says

A cluster industry is an industrial park in the small sense An existing or new building is subdivided by the SBDC into several smaller units and leased at an affordable rent

Expensive machinery, equipment and administrative services are provided centrally. Accommodation of this nature is especially suited for the small manufacturer in his early development stage, says the spokesman.

"Many are entrepreneurs previously active in the informal sector and who are not yet sophisticated enough to run own premises and administration

"The Athlone cluster industry is situated in Hadji Ebrahim Crescent, Athlone Industria No 1

"Twenty-four units have already been leased, and demand exceeds available space Eighty-four people are involved as lessees or employees of lessees

"A wide variety of products is catered for, and people such as carpenters, clothing manufacturers, designers, repairers of car radiators and electrical equipment, manufacturers of orthopaedic shoes and sports equipment are given every chance to develop towards full independence"

"Leading companies, like SA Breweries, have already subcontracted with some of those involved in the project."

Although the Athlone project is already fully booked similar projects are in the pipeline for the Western Cape.

Entrepreneurs from all community groups that are interested in involvement in future projects should contact Mr Gerhard Smit, SBDC regional office, Cape Town, ☎ 52 7383.

● South Africa desperately needed exports for economic growth the Minister of Manpower has warned.

Speaking at the 10th anniversary of the Natal Training Centre this week Mr Piet du Plessis said low productivity was one of the major contributing factors to price increases. This in turn adversely affected competitiveness on international markets

Productivity in many South African enterprises was alarmingly low, he said, particularly when compared to the country's trading partners

"We desperately need those exports for economic growth," he said.

He warned that unless training and retraining of workers was accepted as on ongoing activity a large percentage of the workforce could become redundant as a result of inability to cope with new job demands

A White Paper to this effect was expected to be published next week Mr du Plessis, while not disclosing the contents of the White Paper, which is the result of the National Training Board and the Human Sciences Research Council investigations into the training of artisans, said "innovatory" changes in the training of artisans were on the cards

Chamber's role is to protect interests of industrialists

18/8/88 180

THE Northern Transvaal Chamber of Industries (NTCI), established in January 1930, covers the area from Midrand to Messina and from Rustenburg to Tzaneen

The offices of the chamber are in the showgrounds in Pretoria West.

Its objectives are to promote and protect the interests of industrialists in its area of jurisdiction To achieve this, the chamber offers a comprehensive service to members.

Services include a weekly information bulletin on a wide range of subjects.

The bulletin is accompanied by a tender bulletin, while regular executive newsletters inform members of important policy issues and developments in various fields such as economics, exports, customs and excise, taxation, labour, and industrial planning.

More important, the NTCI is geared to help members with individual problems relating to government in its broader sense, including organising interviews with government officials

The NTCI has established industrialists' associations in various areas including Rosslyn, Waltloo/Silverton, Brits and Rustenburg

These associations deal with matters of a more local nature

The chamber is represented on a variety of public bodies, including the State Tender Board, National Occupational Safety Association (Nosa), Pretoria Town Planning Advisory Committee and the Vaal River Catchment Association

The chamber acts as secretaries to a number of national organisations Among these are the Bophuthatswana Chamber of Industries and Mines, the Pharmaceutical and Chemical Manufacturers' Association, the Proprietary Association of South Africa, the SA Chocolate and Sweets Manufacturers' Association, the SA Medical Industries Manufacturers Association and the SA Veterinary Council

PRETORIA INDUSTRY

A Business Day Survey

Edited by MELANIE SERGEANT

Bus Day. 18/8/86. 180

Gateway: the latest site for big development

☐ AN aerial view of the Gateway site near Verwoerdburg

THE Gateway industrial park is one of the latest industrial developments to be launched around Pretoria

It is situated in the fast-growing Verwoerdburg area

One of the park's main selling points is its easy accessibility to several high[illegible]ys

F[illegible] are to utilise this aspect — not only for quick access, but also by offering manufacturers that rely on high-profile advertising a position near the highway to advertise themselves

According to one of the developers the site will cater predominantly to light industrialists, and companies involved in high-technology operations are regarded as ideal

"Surveys showed a fast proliferation of high-tech companies in SA — both service and manufacturing-orientated

"With Johannesburg and Pretoria fast growing closer together and more interrelated Gateway is considered to be ideally-placed for factories that serve both centres," says a Gateway spokesman

Bop business grows at a steady rate

DAVID FURLONGER

SITUATED within easy reach of main markets on the Reef, and with no shortage of incentives to set-up business there, it is little wonder that some of Bophuthatswana's industrial growth points continue to "poach" industry from the Pretoria region

Equally, it is not surprisin, that established business around Johannesburg and Pretoria is none too happy at having to compete against subsidised opposition

Babelegi, Garankuwa and Mogwase all enjoy substantial advantages over competitors "over the border" in SA

Concessions available for potential investors include low rents, low-interest loans, relocation allowances training grants subsidised electricity, transport rebates, housing loans tender preferences and even help with the wage bill

Like any other industrial decentralisation point in SA Bophuthatswana admits that without such inducements it would be hard-pressed to attract industry The markets, and the infrastructure, of the Reef would see to that.

The inevitable result would be no jobs and no boost for the local economy Even so, there are plenty of detractors who believe the existence of growth points like those at Babelegi, Garankuwa and Mogwase, represent a distortion of the manufacturing economy at a time when it can least afford it.

SA textile and clothing companies, in particular, resent the fact that at a time when there are not enough orders to go around, existing manufacturers are having to lay-off thousands of workers, while taxpayers' money is spent on subsidising new companies to under-cut the market

However, such labour-intensive industries are a natural target for a fledgling state with three main industrial aims — mass employment, a source of cash for the local community, and profits for the state

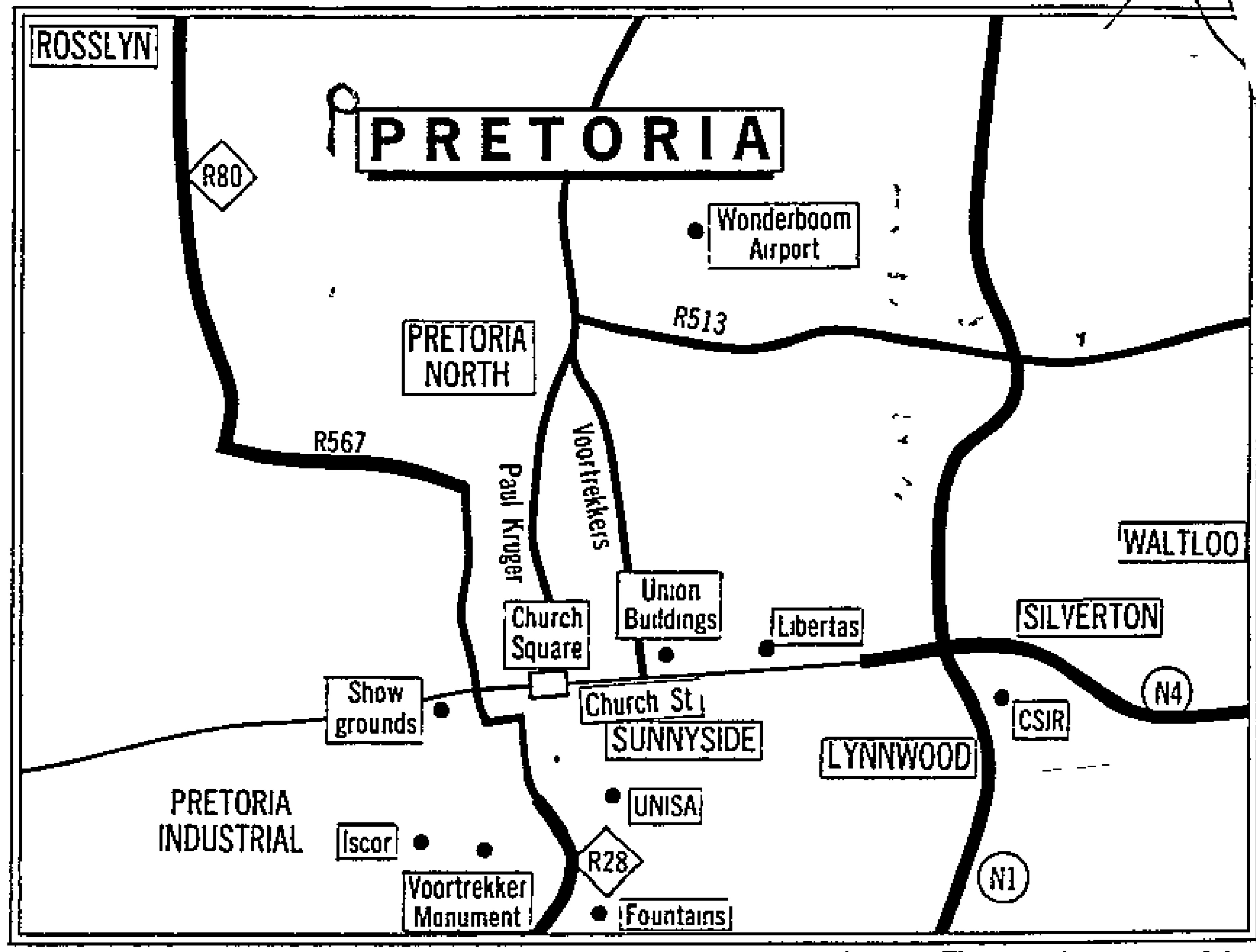
Bophuthatswana National Development Corporation (BNDC) officials insist that all three aims are being achieved They point to the steadily growing list of SA companies joining the drift to their industrial growth points

Not all are labour-intensive AECI maintains an enormous explosives manufacturing and testing facility there, while windshields for many of SA's cars are produced by Wesglas. There is even an ocean yacht-building yard

Another criticism of the industrial incentives system is that it encourages abuse, and there is no doubt that there has been abuse of the system

Where government has contributed to the wage bill for each worker hired some companies have actually paid their workers less, and pocketed the difference. There are frequent accusations of sweatshop conditions as employers take advantage of safety requirements that could be described, at best, as minimal

In spite of the abuses, the BNDC is in no doubt that the incentives system has done what no alternative could It has brought industry and employment to areas that otherwise would remain economically dead



☐ THE fastest-growing city in SA, Pretoria is becoming a major industrial centre. This map shows some of the newest growth points that have sprung up in and around the city in the last few years

Fast-growing city flexes muscles

PRETORIA apart from being the country's key administrative centre, is burgeoning as an industrial centre

It is also SA's fastest-growing city As such, it has attracted (and kept) several large corporations which have headquarters there, and it has given birth to service industries that supply private and public enterprises

These corporations include Tomkor, Iscor, Pretoria Portland Cement and Saambou National Building Society

Its position in the PWV market area has done much to boost the city's drawing power The motor vehicle manufacturing industry in the area has grown to become the second largest industry and employer after Iscor

A stable labour-force from nearby Bophuthatswana has also helped although this region is now drawing potential newcomers away, because of the subsidies and allowances it offers as a decentralised area

While the micro-economics of the city are fairly well buffered because of the relatively stable income from the large number of public servants employed there it is not immune to macro-economic trends

The housing market is one that is suffering One source says that residential property prices in Pretoria have fallen recently more than they have in most centres

Even the office market — which is 70% occupied by government departments — is experiencing an over-supply situation similar to that in the retail outlet market

The city council has bold plans to rejuvenate the central business district, which is suffering from an exodus of shoppers and inhabitants This project will provide work for several property developers

The city also boasts the largest population of higher-education establishments in SA

Business Day will carry a survey on different aspects of this high-growth area every day this week.

☐ Today's survey looks at industry
☐ Commerce and banking will be covered tomorrow
☐ Property will be featured on Wednesday
☐ Government departments, research and educational institutions will be looked at on Thursday
☐ The different agricultural departments and Pact will be covered on Friday

The DTI has a busy time

THE Department of Trade and Industry (DTI) is, comparatively speaking, one of the smaller government departments, although it has a wide range of activities and responsibilities

Pretoria-based, the department deals with matters ranging from regional development, promotion of small business, to export promotion and technology transfer

No less than 17 institutions, boards and corporations are linked to the DTI ranging from Iscor in the mega-industrial realm to the CSIR in the science field Other fields linked to the department include estate agents, consumer protection, canned fruit, fertiliser, liquor, the sugar industry and decentralisation

From Pretoria's point of view the department is a substantial employer with 920 posts designated, though not all these are filled

It can also lay claim to boosting the real estate industry, renting a total of 21 500 m² of office space, scattered through various parts of the city

However, its greatest contribution to the city must be in the fields of industrial and export promotion — particularly since Pretoria has grown into a substantial industrial centre. One only has to look at the giant Iscor to get a feel for the scale of this development

Moreover, there has recently been a strong move to the city by the motor industry, a sector hungrily seeking export markets

Though the Eastern Cape has long been seen as the home of the motor industry, BMW, Ford, Mazda, Mitsubishi and Nissan vehicles are now built in Pretoria

20/8/86

FCI re-evaluating role and structure

BUSDAY (180)

THE Federated Chamber of Industries (FCI) has launched an urgent investigation into the financial plight of its associated organisations and the need to re-evaluate their role and financial structure.

An FCI spokesman told *Business Day* that the national umbrella body for organised industry had appointed a committee to investigate the problems of its national, regional and sectoral organisations.

"Organised industry has recognised that it has problems and this will be an open-ended investigation with no pre-conditions," he said.

Over the past few years, the financial bases of most regional chambers, especially of the Transvaal and the Cape chambers, which represent almost 80% of organised industry, have been seriously eroded — mainly by the effects of the recession and changes in the needs of member industries.

While insolvencies have dramatically reduced their membership, increased rationalisation and retrenchment within the economy has shrunk a major source of income from subscriptions. This is because subscription fees are based entirely on the size of a chamber member's staff complement.

LESLEY LAMBERT

As their income has dwindled, costs have grown in line with an increasing demand by members for more sophisticated services and expertise For the past couple of years, the costs of the two major chambers have outweighed their income and they have had to rely heavily on reserves — which have dropped to dangerous levels as a result.

The TCI's reserves have all but dried up However, stringent measures, including higher subscription fees and rationalisation within the chamber, appear to have pulled the organisation out of the trough and it has been running at a small profit since May, according to TCI president Tony Ewer.

Most of the chambers have had to increase subscriptions substantially this year to fill the income gap left by the loss of members who have either gone insolvent, joined a conglomerate and fallen under its membership or withdrawn voluntarily.

The increase in subscriptions has introduced a new problem. Many members are resisting the move and, according to CE of the Cape Chamber Colin

● To Page 2

20/8/86 BUSDAY (180)

FCI launches investigation

McCarthy, a number of his members are threatening to resign because they refuse to pay more.

"The chamber movement is having to take a long, hard look at itself," McCarthy says.

The role of the regional chambers is being reduced by the increased conglomeration of industries which no longer need external administration and secretarial services, he says

It is also being affected by perceptions that the FCI, which has assumed a more pro-active political role, represents members' ideas at a national level

Commentators say that the survival of the regional chambers depends on the the demand for their services Unless industry sees a role for the chambers they may have to be amalgamated or gradually phased out

A substantial percentage of the regional chambers' income is contributed to the FCI, while the rest is spent on

● From Page 1

overheads. The fixed nature of its spending makes it very difficult to reduce costs.

The Midrand Chamber of Industry, based in Port Elizabeth, is one of the few to have weathered the difficulties. Executive director Brian Matthews attributes this to the increased demand for services by battling industrialists in the area, and a five-year plan, introduced four years ago, to diversify its financial base.

It has reduced the number of its members and increased its fee-earning management and secretarial activities Thus, it has managed to reduce the impact of the recession

The Northern Transvaal Chamber has also remained relatively healthy as a result of additional income it receives from administration of the Pretoria exhibition

Only stability will bring growth

Manufacturing needs 'revamp'

GERALD REILLY

THE importance of revitalising the manufacturing industry was stressed last night by Trade and Industries Board chairman Lawrence McCrystal.

He told the annual meeting of the SA Lumber Millers' Association in Johannesburg that some growth could be expected in agriculture, and that the mining industry would also grow, but not rapidly.

Of the major generators, that left the industrial sector as the main source of growth in the domestic product, jobs, exports and import replacement.

Yet that sector's performance had been abysmal in recent years.

McCrystal said a revitalised focus on manufacturing was urgently needed.

All indications were that 1986 would be an extension of the sad tendencies of the previous six years

And although there was an urgent need for growth in the industrial sector, the private sector sought profitable investment possibilities under stable political conditions.

McCrystal said that sector expected government to provide stability and protection from unrest, as well as a high degree of economic policy certainty.

If there were growth potential and the taxation burden was not too hefty, then investment would be made in expansion and development whether the politicians of the world liked the government or not

Plus factors included natural resources, which had promised a bright future in the past and were still there. And under normal circumstances, SA was an exporter of food and that would be the case again.

McCrystal said the skills locked up in the Indian, coloured and black populations could also make a great contribution to SA's progress if the right social, political and economic keys were found.

As far as fiscal policy was concerned, that should focus on reducing pressure on the economy's cost structure. The lifting of the import surcharge on a wide range of industrial inputs was a good example of sound fiscal measures under the circumstances. Deregulation was another sound move

Natal Mercury

27/8/86

180

Sharp drop in growth of industry

Labour Reporter

SOME Natal towns have reported a sharp drop in industrial growth, adding further gloom to the economic scene

The chairman of the Pinetown Indian Local Affairs Committee, Mr Ismail Patel, said yesterday the looming threat of sanctions was going to add to the gloomy outlook for industrial development, causing further hardships, especially for the unemployed

In a report tabled at the LAC meeting, he said the report by the building inspectorate of Pinetown showed there was a big drop in the number of new factory projects in the town

'The council had approved projects totalling R2 610 000 for the financial year ending July, 1986, which was half the sum for the previous year and a quarter of that of 1984.

'However, the marked decrease in industrial growth is not only confined to Pinetown, but appears to be the general trend throughout the country,' he added

Projects

A spokesman for neighbouring New Germany municipality also reported a 'slight drop' in industrial growth

He said that for the first six months of this year, the town council had approved plans for industrial development totalling R759 000 and so far projects already started or completed totalled R1 124 000.

In the previous year, the municipality had approved projects to the total value of R3 000 000

However, Westville Town Council reported that between July, 1985 and June, 1986, it approved 88 plans for new homes, totalling R7 692 730, and alternations and additions to 387 houses, to the value of more than R6 000 000

Plans for four commercial properties totalling R13 600 000 were also approved in addition to 199 swimming pools costing R1 458 000

Mr Ramalingam Reddy, Town Clerk of Isipingo, said Isipingo had also experienced a 'slight decline' in industrial development

Industrialists in plea for imaginative Govt strategy

SOAR 2/9/76 (180)

By Stan Kennedy

The Transvaal Chamber of Industries has called on the Government to introduce some new and imaginative thinking in economic strategy

It was reacting to the concern expressed by Governor of the Reserve Bank, Dr Gerhard de Kock at the reluctance of the private sector to expand real fixed investment, when the cash flow of financial institutions was large and the stock exchange "booming".

The chamber [illegible] in its bulletin: "It seems to us that the failure of Government to implement appropriate economic strategies has a great deal to do with the reluctance of the private sector to expand real fixed investment In a capitalistic society, a prudent businessman will normally only invest where he anticipates he will make real profit

"Given the current economic strategy of the authorities, he can only see his investment trapped between the twin jaws of taxation and inflation "

The situation was complicated by the rand's weakness Capital equipment and raw materials cost considerably more than they did, making return on investment less attractive

"Of course, there is always the sleeping partner, the Receiver of Revenue, who stops sleeping as soon as the venture is out of the red and stretches out a taking hand "

The chamber wants a plan which will take the entire economy into account instead of a patchwork of ad hoc short-term remedies which, it says, distorts the overall economic scene, leading to further short-term remedial action and further distortion ad infinitum

Govt fails to renew 'plant' tax allowance

180

4/9/86 BUS DAY

Economics Reporter

GOVERNMENT has failed to renew the initial company tax allowance, scheduled to expire on December 31, on new plant and equipment investments

The expiration of the allowance, which effectively accelerated the period in which a company could deduct depreciation expenses for tax purposes, could have dramatic effects on plans for new capital investment — if the measure is not reinstated

The allowance was not included in the final version of the 1986 Income Tax Act and amendments voted into law on Tuesday in Parliament

Newly-appointed Commissioner of Inland Revenue Clive Kingon said he did not know whether government had any plans to re-enact the allowance at some point next year Kingon said Finance Minister Barend du Plessis was awaiting the recommendations of the Margo Commission before making a decision specifically on the measure

The present tax allowance permits companies to deduct 50% of the cost of new manufacturing equipment and machinery from income in the year of the purchase The remainder of the cost is depreciated on a straight-line basis over the declared life of the asset

Similarly, a company can take 17,5% of the cost of buildings erected for manufacturing uses against income in the year of construction or purchase The remaining 82,5% is deducted over 42 years

The elimination of the allowance would force companies to deduct depre-

To Page 2

Govt fails to renew allowance

BUS DAY 180 4/9/86

From Page 1

ciation expenses for machinery, equipment and land from income solely on a straight-line basis over the life of the asset — removing the benefit that comes from taking more of the deduction sooner

Arthur Andersen tax manager Graham Cochrane said government "didn't appreciate the full impact" of removing the allowance "Industry is going to suffer far more than they envisaged"

Divaris-Stein's Costa Divaris, however, predicted that industry pressure would force Du Plessis to reinstate the allowance retroactively next year He said "I would be surprised if the industry lobby gives up on this There must be something else in the offing"

Divaris said, too, that the absence of the measure would not have much immediate effect if business was unable to reinstate it, since capital investment was likely to remain at depressed levels in the next year.

Under terms of the expiring measure, companies that intend to take advantage of the tax allowance must have new machinery and equipment in use by year's end. Buildings qualifying for the allowance must be in construction by year-end, and in use by the end of 1987.

Weak rand to fuel growth?

29/4/86 BUSDAY 180

DAVID FURLONGER

MAJOR industrial development can only take place if big business believes high inflation will be offset by a continuing decline in the value of the rand, says the Industrial Development Corporation (IDC).

In its 1986 annual report published this week, the IDC says that with the rand expected to remain weak for several years, opportunities exist for export-led development and significant import replacement projects

But it adds "Major investment decisions and the concomitant large-scale financial commitments to capitalise on these opportunities will only be possible if industry can assume, with a reasonable degree of assurance, that the effect of the high rates of domestic inflation will be offset by a continuous decline in the value of the rand so that SA's international competitiveness may be maintained"

The report argues the need for a structural adjustment to export policies, in order that agricultural and manufactured goods reduce the economy's dependence on gold exports. It says this can only be achieved if the rand's future value remains at realistic levels "in the light of international prices for non-gold exports".

It also says a significant improvement in local demand is needed to shift manufacturing industry into a growth phase

STAATSKOERANT

VAN DIE REPUBLIEK VAN SUID-AFRIKA

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

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CAPE TOWN, 24 SEPTEMBER 1986 No. 10459

180

KANTOOR VAN DIE STAATSPRESIDENT

No. 1970. 24 September 1986

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word.—

No 107 van 1986: Wet op die Raad van Handel en Nywerheid, 1986.

STATE PRESIDENT'S OFFICE

No 1970. 24 September 1986

It is hereby notified that the State President has assented to the following Act which is hereby published for general information —

No. 107 of 1986. Board of Trade and Industry, 1986

WET

Om voorsiening te maak vir die instelling van 'n Raad van Handel en Nywerheid en vir aangeleenthede wat daarmee in verband staan

(Afrikaanse teks deur die Staatspresident geteken)
(Goedgekeur op 10 September 1986)

DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika, soos volg —

Woordomskrywing

1 In hierdie Wet, tensy uit die samehang anders blyk, beteken—

(i) "gemeenskaplike doeanegebied van die Suider-Afrikaanse Doeane-unie" enige staat of gebied met die regering waarvan 'n ooreenkoms kragtens artikel 51 van die Doeane- en Aksynswet, 1964 (Wet No 91 van 1964), aangegaan is,
(ii) "komitee" 'n komitee in artikel 9 beoog,
(iii) "Minister" die Minister van Handel en Nywerheid, en
(iv) "Raad" die Raad vir Handel en Nywerheid by artikel 2 ingestel

Instelling van Raad van Handel en Nywerheid

2 Daar word hierby 'n raad met die naam die Raad van Handel en Nywerheid ingestel

Oogmerke van Raad

3 Die oogmerke van die Raad is om ekonomiese ontwikkeling in die Republiek en in die gemeenskaplike doeanegebied van die Suider-Afrikaanse Doeane-unie te bevorder

Werksaamhede van Raad

4 (1) Die werksaamhede van die Raad is om met die middele tot sy beskikking sy oogmerke te probeer bereik, en ten einde daardie oogmerke te bereik, kan die Raad—

(a) aan die Minister verslag of aanbevelings doen met betrekking tot—
(i) die ontwikkeling en doeltreffende aanwending van hulpbronne,
(ii) die bevordering van die mededinging van ondernemings in die Republiek en in die gemeenskaplike doeanegebied van die Suider-Afrikaanse Doeane-unie,
(iii) die in- en uitvoer van goedere,
(iv) die verlening van—
(aa) voorkeur aan Suid-Afrikaanse produkte by aankope deur die Staat, en
(bb) geldelike bystand,
(v) die aanwending van die tegnologie,
(vi) produksie en afset,
(vii) fiskale beleid,
(viii) internasionale—
(aa) handel,
(bb) verhoudings, en
(cc) handelsooreenkomste,

ACT

To provide for the establishment of a Board of Trade and Industry and for matters related thereto.

(Afrikaans text signed by the State President)
(Assented to 10 September 1986)

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows —

Definitions

1 In this Act, unless the context otherwise indicates—
(i) "Board" means the Board for Trade and Industry established by section 2,
(ii) "committee" means a committee contemplated in section 9,
(iii) "common customs area of the Southern African Customs Union" means any state or territory with the government of which an agreement has been concluded under section 51 of the Customs and Excise Act, 1964 (Act No 91 of 1964), and
(iv) "Minister" means the Minister of Trade and Industry

Establishment of Board of Trade and Industry

2 There is hereby established a board to be known as the Board of Trade and Industry

Objects of Board

3. The objects of the Board shall be to promote economic development in the Republic and in the common customs area of the Southern African Customs Union

Functions of Board

4 (1) The functions of the Board shall be to endeavour to achieve its objects with the means at its disposal, and for the purposes of achieving those objects the Board may—
(a) report or recommend to the Minister in respect of—
(i) the development and effective utilization of resources,
(ii) the promotion of the competition of enterprises in the Republic and in the common customs area of the Southern African Customs Union,
(iii) the import and export of goods,
(iv) the rendering of—
(a) preference to South African products in purchases by the State, and
(b) financial assistance,
(v) the utilization of technology,
(vi) production and marketing,
(vii) fiscal policy,
(viii) international—
(aa) trade,
(bb) relations, and
(cc) trade agreements,

(ix) die bevordering van kleinsake-ondernemings, en
(x) enige ander aangeleentheid wat—
(aa) na die oordeel van die Minister en die Raad nodig is om die Raad se oogmerke te bereik, of
(bb) die Minister na die Raad verwys,

(b) op versoek van die regering van 'n staat of gebied in die gemeenskaplike doeanegebied van die Suider-Afrikaanse Doeane-unie—
(i) vraagstukke wat die betrokke regering in verband met ekonomiese ontwikkeling ondervind ondersoek en aan dié regering verslag of aanbevelings daaroor doen,
(ii) aan sodanige regering verslag of aanbevelings doen oor enige aangeleentheid betreffende doeane- en aksynsregte in die gemeenskaplike doeanegebied,

(c) navorsing onderneem of, met die voorafgaande goedkeuring van, en op voorwaardes deur die Minister met die instemming van die Minister van Finansies bepaal, laat onderneem deur 'n raad of liggaam by of kragtens 'n wet ingestel,
(d) die inligting inwin wat hy nodig ag, en
(e) enige ander bevoegdheid of plig wat hom by of kragtens hierdie Wet of 'n ander wet verleen of opgelê word, uitoefen of uitvoer

(2) Wanneer die Raad kragtens 'n bevoegdheid hom by subartikel (1) verleen, verslag of 'n aanbeveling doen aan die Minister, moet hy 'n afskrif van bedoelde verslag of aanbeveling aan die Minister van Finansies voorlê

(3) Die Raad moet so gou doenlik na 31 Desember van elke jaar aan die Minister 'n verslag oor sy werksaamhede gedurende die voorafgaande jaar voorlê

(4) Die werk verbonde aan die uitvoering van 'n plig of die uitoefening van 'n bevoegdheid van die Raad word verrig deur beamptes of werknemers van die Departement van Handel en Nywerheid wat vir die doel deur die Direkteur-generaal Handel en Nywerheid-aangewys word

Samestelling van Raad

5 (1) Die Raad bestaan uit die getal heeltydse en deeltydse lede, maar minstens vier, wat die Staatspresident van tyd tot tyd bepaal

(2) Die lede van die Raad word deur die Staatspresident aangestel op grond van hul kennis en ondervinding van die handel, nywerheid en ekonomie

Voorsitter en adjunk voorsitter

6. (1) Die Staatspresident wys een van die lede van die Raad as voorsitter en 'n ander lid as adjunk-voorsitter aan

(2) (a) Wanneer die voorsitter afwesig is of nie in staat is om sy werksaamhede as voorsitter te verrig nie, of wanneer die amp van voorsitter vakant is, moet die adjunk-voorsitter as voorsitter waarneem, en indien die voorsitter sowel as die adjunk-voorsitter afwesig is of nie in staat is om die werksaamhede van die voorsitter te verrig nie, moet die Raad 'n ander lid kies om as voorsitter waar te neem

(b) Terwyl sodanige persoon as voorsitter waarneem, het hy al die bevoegdheid en voer hy al die pligte uit van die voorsitter

Ampstermyn, ontruiming van amp en vul van vakatures.

7. (1) 'n Lid van die Raad word aangestel vir die tydperk, maar hoogstens vyf jaar, wat die Staatspresident ten tyde van die aanstelling bepaal

(2) 'n Lid van die Raad ontruim sy amp indien hy bedank of indien die Staatspresident sy ampstermyn as lid beëindig as daar na die oordeel van die Staatspresident 'n gegronde rede daarvoor bestaan

(3) Iemand wat weens tydsverloop opgehou het om lid van die Raad te wees, kan weer aangestel word

(4) Indien 'n lid van die Raad ophou om sy amp te beklee, kan die Staatspresident, behoudens artikel 5, iemand aanstel om die vakature te vul

(ix) the promotion of small business undertakings, and
(x) any other matter which—
(aa) in the opinion of the Minister and the Board is necessary to achieve the objects of the Board, or
(bb) the Minister refers to the Board,

(b) at the request of the government of a state or territory in the common customs area of the Southern African Customs Union—
(i) investigate problems which the government concerned experiences with regard to economic development and report or recommend to that government in that respect,
(ii) report or recommend to such government as to any matter concerning customs and excise duties in the common customs area,

(c) undertake research or, with the prior approval of and on conditions determined by the Minister with the concurrence of the Minister of Finance, cause research to be undertaken by any board or body established by or under any law,
(d) gather the information which it deems necessary and
(e) exercise or perform any other power or duty granted or assigned to it by or under this Act or any other law

(2) When the Board under a power granted to it by subsection (1) reports or recommends to the Minister, it shall submit to the Minister of Finance a copy of such report or recommendation

(3) The Board shall as soon as possible after 31 December of each year submit a report to the Minister regarding its functions during the preceding year

(4) The work incidental to the performance of a duty or the exercise of a power of the Board shall be performed by officers or employees of the Department of Trade and Industry designated for that purpose by the Director-General Trade and Industry

Constitution of Board

5 (1) The Board shall consist of such number of full-time and part-time members, but not fewer than four, as the State President may from time to time determine

(2) The members of the Board shall be appointed by the State President by reason of their knowledge of and experience in commerce, industry and the economy

Chairman and deputy chairman

6 (1) The State President shall designate one of the members of the Board as chairman of the Board and another as deputy chairman

(2) (a) When the Chairman is absent or not able to perform his functions as chairman, or when there is a vacancy in the office of the chairman, the deputy chairman shall act as chairman, and if the chairman as well as the deputy chairman are absent or not able to perform the functions of the chairman, the Board shall elect another member to act as chairman

(b) Such member shall while acting as chairman have all the powers and perform all the duties of the chairman

Period of office vacation of office and filling of vacancies

7 (1) A member of the Board shall be appointed for such period, not exceeding five years, as the State President may determine at the time of the appointment

(2) A member of the Board shall vacate his office if he resigns or if the State President terminates his period of office if there is in the opinion of the State President a sound reason therefor

(3) Any person who has ceased to be a member of the Board by effluxion of time may be reappointed

(4) If a member of the Board ceases to hold office, the State President may, subject to section 5, appoint somebody to fill the vacancy

Vergaderings van Raad

8 (1) Die eerste vergadering van die Raad word gehou op die tyd en plek wat die Minister bepaal, en daarna word 'n vergadering van die Raad gehou op die tyd en plek wat die Raad of, indien deur die Raad daartoe gemagtig, die voorsitter van die Raad bepaal

(2) 'n Kworum vir 'n vergadering van die Raad is minstens een derde van al sy lede, met 'n minimum van drie

(3) 'n Besluit van die meerderheid van die lede van die Raad wat op 'n vergadering aanwesig is, maak 'n besluit van die Raad uit, en in die geval van 'n staking van stemme het die voorsitter benewens sy beraadslagende stem 'n beslissende stem

(4) Alle besluite van die Raad moet genotuleer word

Komitees

9. (1) Die Raad kan, met die toestemming van die Minister, uit eie geledere komitees instel

(2) So 'n komitee bestaan uit die getal lede wat die Raad bepaal

(3) Die Raad wys een van die lede van die komitee as voorsitter daarvan aan, en as so 'n voorsitter van 'n vergadering van die komitee afwesig is, kies die aanwesige lede een uit eie geledere om op daardie vergadering as voorsitter op te tree

(4) (a) Die Raad kan, behoudens die voorskrifte wat hy van tyd tot tyd uitreik—

(i) 'n bevoegdheid by of kragtens artikel 4 aan hom verleen, aan so 'n komitee delegeer, en

(ii) magtiging verleen dat 'n plig wat by of ingevolge artikel 4 hom opgelê word, deur so 'n komitee uitgevoer word

(b) Die Raad is nie ontdoen van 'n bevoegdheid wat aldus gedelegeer is en die uitvoering van 'n plig wat aldus gemagtig is nie, en kan enige besluit van 'n komitee wysig of tersyde stel

Koöptering van persone om in komitees te dien of komitees te adviseer

10 (1) 'n Komitee kan enige persoon koöpteer om in 'n komitee te dien of om 'n bepaalde vergadering daarvan in verband met 'n bepaalde aangeleentheid wat deur die komitee oorweeg word, by te woon

(2) Sodanige persoon kan aan die verrigtinge van die komitee in verband met die aangeleentheid of op die vergadering ten opsigte waarvan hy gekoöpteer is, deelneem, maar is nie geregtig om te stem nie

Besoldiging en toelaes van lede van Raad en ander persone

11 Aan lede van die Raad en persone bedoel in artikels 10, 13 en 14 wat nie in diens van die Staat is nie, word uit geld deur die Parlement vir die doel bewillig, besoldiging en toelaes betaal wat die Minister met die instemming van die Minister van Finansies bepaal

Ondersoeke deur Raad of komitees

12. (1) Die Raad of 'n komitee kan, behoudens die voorskrifte van die Minister, 'n ondersoek instel wat die Raad of komitee nodig ag om hom in staat te stel om sy werksaamhede te verrig

(2) Vir die doeleindes van 'n in subartikel (1) bedoelde ondersoek kan die Raad of 'n komitee enige persoon dagvaar om by die ondersoek getuienis af te lê of 'n boek, geskrif of stuk wat na die Raad of 'n komitee se oordeel op die onderwerp van die ondersoek betrekking het, voor te lê

(3) (a) 'n Dagvaarding om as getuie te verskyn voor, of om 'n boek, geskrif of stuk voor te lê aan, die Raad of 'n komitee is in die vorm deur die voorsitter van die Raad bepaal

(b) Sodanige dagvaarding word onderteken deur die voorsitter van die Raad of van 'n komitee, na gelang van die geval, en word op dieselfde wyse beteken as 'n dagvaarding om as getuie by 'n strafgeding in die Hooggeregshof te verskyn

(4) Die Raad of 'n komitee kan 'n by die ondersoek aanwesige persoon, hetsy hy ingevolge subartikel (2) gedagvaar is om aanwesig te wees al dan nie, oproep en ondervra en kan enige boek, geskrif of stuk waarvan die voorlegging ingevolge subartikel (2) gelas is of wat hy by hom het, inspekteer en vir 'n

Meetings of Board

8 (1) The first meeting of the Board shall be held at the time and place determined by the Minister, and thereafter a meeting of the Board shall be held at the time and place determined by the Board or, if authorized thereto by the Board, the chairman of the Board

(2) A quorum for a meeting of the Board shall not be less than one-third of all its members, with a minimum of three

(3) A decision of the majority of the members of the Board present at a meeting shall constitute a decision of the Board, and in the event of an equality of votes the chairman shall have a casting vote in addition to his deliberative vote

(4) All decisions of the Board shall be recorded

Committees

9 (1) The Board may, with the consent of the Minister, establish from among their number committees

(2) Any such committee shall consist of such number of members as the Board may determine

(3) The Board shall designate one of the members of the committee as chairman thereof, and if any such chairman is absent from a meeting of the committee the members present shall elect one from among their number to act as chairman at that meeting

(4) (a) The Board may subject to such directions as it may issue from time to time—

(i) delegate any power granted to it by or under section 4 to such a committee, and

(ii) grant authority that a duty assigned to it by or in terms of section 4 may be performed by such a committee

(b) The Board shall not be divested of a power so delegated and the performance of a duty so authorized, and may amend or set aside any decision of a committee

Co-option of persons to serve on or advise committees

10 (1) A committee may co-opt any person to serve on a committee or to attend a particular meeting thereof in connection with a particular matter dealt with by the committee

(2) Such a person may take part in the proceedings of the committee in connection with the matter or at the meeting in respect of which he has been co-opted, but shall not be entitled to vote

Remuneration and allowances of members of Board and other persons

11 Members of the Board and persons referred to in sections 10, 13 and 14 who are not in the employment of the State, shall be paid, from moneys appropriated by Parliament for that purpose, such remuneration and allowances as the Minister may with the concurrence of the Minister of Finance determine

Enquiries by Board or committees

12 (1) The Board or a committee may, subject to the directions of the Minister, conduct such enquiry as the Board or committee deems necessary to enable it to perform its functions

(2) The Board or a committee may for the purposes of an enquiry referred to in subsection (1) summon any person to give evidence at the enquiry or to produce any book, writing or document which in the opinion of the Board or a committee is relevant to the subject matter of the enquiry

(3) (a) A summons to attend as a witness before, or to produce any book, writing or document to, the Board or a committee shall be in the form determined by the chairman of the Board

(b) Such summons shall be signed by the chairman of the Board or of a committee, as the case may be, and shall be served in the same manner as a summons to attend as a witness at a criminal trial in the Supreme Court

(4) The Board or a committee may call and examine any person present at the enquiry, whether or not he has been summoned to attend in terms of subsection (2), and may inspect and retain for a reasonable period any book, writing or document the production of which was required in terms of

redelike tyd hou Met dien verstande dat in verband met die ondervraging van so 'n persoon of die voorlegging van so 'n boek, geskrif of stuk die regsreëls met betrekking tot privilegie wat geld in die geval van 'n persoon wat gedagvaar is om voor 'n geregshof getuienis af te lê of om 'n boek, geskrif of dokument voor te lê van toepassing is

(5) *(a)* Wanneer die Raad of 'n komitee dit nodig ag, kan hy 'n persoon gelas om sy getuienis onder eed of na die doen van 'n bevestiging af te lê

(b) Die voorsitter van die Raad of van 'n komitee, na gelang van die geval kan die betrokke persoon 'n eed oplê of van hom 'n bevestiging aanneem

(6) 'n Persoon wat gedagvaar is om by so 'n ondersoek getuienis af te lê, is geregtig om uit geld deur die Parlement vir die doel bewillig, as getuiegeld 'n bedrag te ontvang wat gelyk is aan die bedrag wat hy as getuiegeld sou ontvang het as hy gedagvaar was om 'n strafgeding in die Hooggeregshof, gehou op die plek vermeld in die dagvaarding wat aan hom gestuur is, by te woon

(7) Die Raad of 'n komitee kan vir die doeleindes van sodanige ondersoek enige persoon gelas om aan hom inligting te verstrek op die wyse wat hy bepaal

Delegasie deur Raad of komitees

13 (1) Die Raad of 'n komitee kan, behoudens die voorskrifte van die Minister sy bevoegdhede betreffende 'n ondersoek kragtens artikel 12 aan 'n beampte of werknemer van die Departement van Handel en Nywerheid wat vir die doel deur die Direkteur-generaal Handel en Nywerheid aangewys word of met die goedkeuring van die Minister, 'n ander persoon, delegeer

(2) Die voorsitter van die Raad of van 'n komitee kan—

(a) magtiging verleen dat 'n plig wat by artikel 12 (3) *(b)* hom opgelê word deur 'n beampte werknemer of persoon bedoel in subartikel (1) uitgevoer word, en

(b) 'n bevoegdheid by artikel 12 (5) *(b)* aan hom verleen, aan 'n beampte werknemer of persoon bedoel in subartikel (1) delegeer

Ondersoekbeamptes

14 (1) Die Raad kan behoudens die voorskrifte van die Minister, ter verkryging van inligting wat nodig is met betrekking tot 'n ondersoek kragtens artikel 12, 'n lid van die Raad, 'n beampte of werknemer van die Departement van Handel en Nywerheid wat vir die doel deur die Direkteur-generaal Handel en Nywerheid aangewys word of, met die goedkeuring van die Minister, 'n ander persoon as 'n ondersoekbeampte aanwys, en so 'n ondersoekbeampte kan sonder voorafgaande kennisgewing te alle redelike tye 'n perseel betree waarop of waarin daar wel of vermoedelik enige handelsartikel, boek, staat of ander stuk is wat in verband staan met bedoelde inligting en kan—

(a) sodanige perseel inspekteer of deursoek,

(b) inligting aangaande genoemde handelsartikel, boek, staat of ander stuk vereis van die eienaar of persoon in beheer van daardie perseel,

(c) 'n handelsartikel, boek, staat of ander stuk wat in of op daardie perseel gevind word en wat wel of vermoedelik betrekking het op enige aangeleentheid wat by genoemde ondersoek ter sake mag wees, ondersoek, of afskrifte van of uittreksels uit sodanige boek, staat of ander stuk maak, en

(d) van die eienaar of iemand in beheer van bedoelde perseel of van iemand in wie se besit of beheer daardie boek, staat of ander stuk is, 'n verduideliking van 'n inskrywing daarin vereis

(2) Iemand wat kragtens subartikel (1) aangewys is, moet voorsien word van 'n skriftelike magtiging wat deur die voorsitter van die Raad onderteken is en waarin verklaar word dat sodanige persoon as 'n ondersoekbeampte ingevolge hierdie Wet aangewys is

(3) Voordat 'n ondersoekbeampte in subartikel (1) bedoel sy bevoegdhede kragtens hierdie artikel uitoefen, moet hy op ver-

subsection (2) or which he has with him Provided that in connection with the examination of any such person or the production of any such book, writing or document, the law relating to privilege as applicable to a person subpoenaed to give evidence or to produce any book, writing or document before a court of law, shall apply

(5) *(a)* Whenever the Board or a committee deems it necessary, it may direct a person to give his evidence on oath or affirmation

(b) The chairman of the Board or of a committee, as the case may be, may administer the oath to or accept an affirmation from the person concerned

(6) A person who has been summoned to give evidence at such enquiry shall be entitled to receive from moneys appropriated by Parliament for that purpose as witness fees an amount equal to the amount which he would have received as witness fees if he had been summoned to attend at a criminal trial in the Supreme Court held at the place specified in the summons sent to him

(7) The Board or a committee may for the purposes of such enquiry direct any person to furnish it with information in the manner determined by it

Delegation by Board or committees

13. (1) The Board or a committee may, subject to the directions of the Minister delegate its powers regarding an enquiry under section 12 to an officer or employee of the Department of Trade and Industry designated for the purpose by the Director-General Trade and Industry or, with the approval of the Minister any other person

(2) The chairman of the Board or of a committee may—

(a) grant authority that a duty assigned to him by section 12 (3) *(b)* may be performed by an officer, employee or other person referred to in subsection (1) and

(b) delegate any power granted to him by section 12 (5) *(b)* to an officer, employee or other person referred to in subsection (1)

Investigating officers

14 (1) Subject to the directions of the Minister the Board may, in order to obtain information which is required with regard to an enquiry under section 12 designate a member of the Board, an officer or employee of the Department of Trade and Industry designated for that purpose by the Director-General Trade and Industry or, with the approval of the Minister any other person, as an investigating officer, and such an investigating officer may at all reasonable times without previous notice enter premises on or in which there is or may be any commodity, book, statement or other document which is related to the specific information and may—

(a) inspect or search such premises,

(b) demand information regarding the said commodity, book, statement or other document from the owner or person in charge of the premises,

(c) investigate a commodity, book, statement or other document which is found in or on those premises and which has or probably has relevance to any matter which may concern the said investigation, or make copies of or extracts from such book, statement or other document, and

(d) demand from the owner or anyone in charge of those premises or of anyone in whose possession or under whose control that book, statement or other document is, an explanation of an entry therein

(2) A person designated under subsection (1) shall be provided with an authority signed by the chairman of the Board and in which it is stated that such person is assigned as an investigating officer in terms of this Act

(3) Before an investigating officer referred to in subsection (1) performs a function under this section he shall at the request of

soek van iemand wat deur 'n ondersoek geraak sal word die magtiging wat ingevolge subartikel (2) aan hom uitgereik is, toon

Instelling en in standhouding van rekeningkundige en kosprysberekeningstelsels

15. Die Raad kan, met goedkeuring van die Minister, enige persoon wat 'n bedryf beoefen in 'n bepaalde nywerheid of 'n tak daarvan wat deur 'n doeanetarief beskerm word of enige vorm van staatshulp ontvang, aansê om ten opsigte van sy besigheid of onderneming 'n rekeningkundige en kosprysberekeningstelsel wat deur die Raad vir daardie nywerheid of daardie tak daarvan goedgekeur is, in te stel en in stand te hou Met dien verstande dat—

(a) die Raad 'n rekeningkundige en kosprysberekeningstelsel vir n nywerheid of n tak daarvan slegs na raadpleging met daardie nywerheid of daardie tak daarvan mag bepaal,

(b) by die goedkeuring van 'n rekeningkundige en kosprysberekeningstelsel vir 'n nywerheid of n tak daarvan, die Raad behoorlik oorweging moet skenk aan die omstandighede van daardie nywerheid of daardie tak daarvan, en

(c) indien die Raad oortuig is dat 'n nywerheid of 'n tak daarvan weens die instelling van 'n rekeningkundige en kosprysberekeningstelsel kragtens hierdie artikel, in die verrigting van sy werksaamhede belemmer word, hy met die instemming van die Minister kan gelas dat bedoelde rekeningkundige en kosprysberekeningstelsel aangepas word op die wyse wat hy goedvind

Verklaring van belang

16 Wanneer die Raad of 'n komitee die een of ander aangeleentheid oorweeg waarby 'n lid daarvan n geldelike belang het, moet daardie lid die aard, omvang en besonderhede van sy belang aan die Raad of die komitee, na gelang van die geval, verklaar, en daarop kan die Raad of die komitee, indien hy dit nodig ag, daardie lid versoek om hom van deelname aan die verrigtinge van die Raad of die komitee te onttrek solank daardie aangeleentheid deur die Raad of die komitee oorweeg word

Geheimhouding

17 Geen persoon mag, behalwe vir die doeleindes van die verrigting van sy werksaamhede ingevolge hierdie Wet of wanneer dit deur 'n geregshof of kragtens 'n wet van hom vereis word, inligting wat deur hom by die verrigting van sy werksaamhede ingevolge hierdie Wet verkry is en wat op die besigheid of sake van n ander persoon betrekking het aan 'n ander persoon openbaar nie

Tertafellegging van verslae en aanbevelings

18 Elke verslag of aanbeveling bedoel in artikel 4 (1) *(a)*—

(a) in verband met wysigings van die Bylaes by die Doeane- en Aksynswet, 1964 (Wet No 91 van 1964), en

(b) in verband met enige ander aangeleentheid, en wat na die oordeel van die Minister—

(i) sonder benadeling van die openbare belang bekend gemaak kan word, en

(ii) van algemene belang is,

word so gou doenlik na ontvangs daarvan deur die Minister in die Parlement ter Tafel gelê

Misdrywe en strawwe

19. Iemand wat—

(a) (i) sonder voldoende rede (waarvan die bewyslas op hom rus) versuim het om die inligting te verstrek wat ingevolge artikel 4 (1) *(d)* of 12 (7) van hom vereis word, of

(ii) wetens inligting verstrek wat vals of misleidend is,

(b) (i) nadat hy gedagvaar is om by 'n ondersoek kragtens artikel 12 getuienis af te lê, sonder voldoende rede (waarvan die bewyslas op hom rus) versuim om op die dag en plek in die dagvaarding vermeld, aanwesig te wees of aanwesig te bly totdat die persoon

a person who is affected by an investigation produce the authority issued to him in terms of subsection (2)

Establishment and maintenance of accounting and costing systems

15 The Board may, with the approval of the Minister, require any person engaged in any particular industry or any branch thereof protected by a customs tariff or receiving any form of State aid, to establish and maintain in respect of his business or undertaking an accounting and costing system approved by the Board for that industry or that branch thereof Provided that—

(a) the Board shall determine the establishment of an accounting and costing system for an industry or any branch thereof only after consultation with that industry or that branch thereof,

(b) in approving of an accounting and costing system for an industry or any branch thereof the Board shall give due consideration to the circumstances surrounding that industry or that branch thereof, and

(c) if the Board is satisfied that an industry or any branch thereof is hampered in the performance of its functions as a result of the establishment of the accounting and costing system under this section it may with the concurrence of the Minister direct that such accounting and costing system be adapted in the manner it thinks fit

Declaration of interest

16 Whenever the Board or a committee considers any matter in which a member thereof has a pecuniary interest that member shall declare the nature extent and particulars of this interest to the Board or such committee, as the case may be and thereupon the Board or the committee may, if it deems it necessary request the member to recuse himself from participating in the proceedings of the Board or such committee for as long as that matter is being considered by the Board or the committee

Preservation of secrecy

17. No person shall, except for the purposes of the performance of his functions in terms of this Act or when required to do so by any court of law or under any law, disclose to any other person any information acquired by him in the performance of his functions in terms of this Act and relating to the business or affairs of any other person

Tabling of reports and recommendations

18 Every report and recommendation contemplated in section 4 (1) *(a)*—

(a) in connection with amendments to the Schedules to the Customs and Excise Act, 1964 (Act No 91 of 1964), and

(b) in connection with any other matter, and which in the opinion of the Minister—

(i) could be made known without detriment to the public interest, and

(ii) is of general importance,

shall be laid upon the Table by the Minister in Parliament as soon as possible after receipt thereof

Offences and penalties

19. Any person who—

(a) (i) without sufficient cause (the onus of proof of which shall rest upon him) has failed to furnish the information required of him in terms of section 4 (1) *(d)* or 12 (7), or

(ii) knowingly furnishes information which is false or misleading,

(b) (i) having been summoned to give evidence at an enquiry under section 12, without sufficient cause (the onus of proof of which shall rest upon him) fails to attend at the time and place specified in the summons, or fails to remain in attendance until the wat by die ondersoek voorsit hom van verdere aanwesigheid verskoon,

(ii) nadat hy kragtens artikel 12 (4) opgeroep is, sonder voldoende rede (waarvan die bewyslas op hom rus)—

(aa) weier om as 'n getuie te verskyn,

(bb) weier om as getuie die eed af te lê of 'n bevestiging te doen nadat hy kragtens artikel 12 (5) *(a)* gelas is om dit te doen,

(cc) weier om 'n vraag wat aan hom gestel word, te beantwoord of versuim om so 'n vraag na sy beste wete en vermoë te beantwoord, of

(dd) weier om te voldoen aan 'n vereiste om 'n boek, geskrif of stuk in die dagvaarding vermeld of wat hy by hom het, voor te lê, of

(iii) hom met iemand bemoei of iemand hinder belemmer dreig, mislei of op enige wyse onbehoorlik beïnvloed met betrekking tot getuienis wat so iemand moet aflê of met betrekking tot 'n boek, geskrif of stuk wat so iemand moet voorlê,

(c) (i) 'n ondersoekbeampte in die uitoefening van sy bevoegdhede kragtens artikel 14 hinder of belemmer, of

(ii) wanneer 'n ondersoekbeampte van hom inligting of 'n verduideliking kragtens artikel 14 (1) *(b)* of *(d)* vereis versuim of weier om daardie inligting te verstrek of verduideliking te gee of wetens inligting verstrek of 'n verduideliking gee wat vals of misleidend is,

(d) sonder voldoende rede (waarvan die bewyslas op hom rus) versuim of weier om binne 'n tydperk deur die Raad bepaal, welke tydperk nie minder as ses maande mag wees nie, 'n rekeningkundige en kosprysberekeningstelsel ingevolge artikel 15 in te stel of in stand te hou,

(e) versuim om aan 'n bepaling van artikel 16 te voldoen, of

(f) artikel 17 oortree,

is aan 'n misdryf skuldig en by skuldigbevinding strafbaar met 'n boete van hoogstens R2 000 of met gevangenisstraf vir 'n tydperk van hoogstens 12 maande of met sowel daardie boete as daardie gevangenisstraf

Herroeping van wette voorbehoude en oorgangsbepalings

20 (1) Behoudens die bepalings van hierdie artikel word die wette in die Bylae vermeld hierby herroep

(2) Iemand wat onmiddellik voor die inwerkingtreding van hierdie Wet ingevolge die bepalings van die Wet op die Raad van Handel en Nywerheid, 1944 (Wet No 19 van 1944), die amp van voorsitter, adjunk-voorsitter of lid van die Raad van Handel en Nywerheid beklee het, word geag deur die Staatspresident vir die onverstreke termyn van sy amp as sodanig ingevolge die bepalings van hierdie Wet aangestel te gewees het

(3) Indien 'n aangeleentheid wat voor die inwerkingtreding van hierdie Wet na die Raad van Handel en Nywerheid ingevolge die Wet op die Raad van Handel en Nywerheid, 1944, ingestel, verwys is, nie voor bedoelde inwerkingtreding deur daardie Raad of 'n komitee daarvan afgehandel is nie, kan die Raad van Handel en Nywerheid ingevolge hierdie Wet ingestel, met die afhandeling van daardie aangeleentheid ooreenkomstig die voorskrifte van hierdie Wet voortgaan, en word enigiets deur eersgenoemde Raad in verband met daardie aangeleentheid gedoen, geag deur die Raad ingevolge hierdie Wet ingestel, gedoen te gewees het

(4) Enigiets wat kragtens 'n bepaling van die Wet op die Raad van Handel en Nywerheid, 1944, gedoen is en wat kragtens 'n bepaling van hierdie Wet gedoen kan word, word geag kragtens laasgenoemde bepaling gedoen te gewees het

Kort titel

21 Hierdie Wet heet die Wet op die Raad van Handel en Nywerheid, 1986

person presiding at the enquiry has excused him from further attendance,

(ii) having been called under section 12 (4), without sufficient cause (the onus of proof of which shall rest upon him)—

(aa) refuses to appear as a witness,

(bb) refuses to be sworn in or to make an affirmation as a witness after he has been directed under section 12 (5) *(a)* to do so,

(cc) refuses to answer or fails to answer to the best of his knowledge and ability any question put to him, or

(dd) refuses to comply with a requirement to produce a book, writing or document specified in the summons or which he has with him, or

(iii) tampers with or hinders obstructs threatens, deceives or in any way unduly influences any person with regard to evidence to be given or a book, writing or document to be produced by such person,

(c) (i) hinders or obstructs an investigating officer in the exercise of his powers under section 14 or

(ii) when an investigating officer requires of him information or an explanation under section 14 (1) *(b)* or *(d)* fails or refuses to furnish that information or to give that explanation or knowingly furnishes information or gives an explanation which is false or misleading

(d) without sufficient cause (the onus of proof of which shall rest upon him) fails or refuses within a period specified by the Board which period shall not be less than six months, to establish or maintain an accounting and costing system in terms of section 15,

(e) fails to comply with a provision of section 16, or

(f) contravenes section 17,

shall be guilty of an offence and be liable on conviction to a fine not exceeding R2 000 or to imprisonment for a period not exceeding 12 months or to both such fine and such imprisonment

Repeal of laws savings and transitional provisions

20 (1) Subject to the provisions of this section the laws specified in the Schedule are hereby repealed

(2) Every person who immediately prior to the commencement of this Act held in terms of the provisions of the Board of Trade and Industries Act, 1944 (Act No 19 of 1944) the office of chairman, deputy chairman or member of the Board of Trade and Industries, shall be deemed to have been appointed by the State President in terms of the provisions of this Act for the unexpired period of his office as such

(3) If any matter which before the commencement of this Act was referred to the Board of Trade and Industries established in terms of the Board of Trade and Industries Act, 1944 has not been disposed of by that Board or a committee thereof before such commencement, the Board of Trade and Industry established in terms of this Act may continue with the disposal of that matter in accordance with the provisions of this Act, and anything done by the first-mentioned Board in connection with that matter shall be deemed to have been done by the Board established in terms of this Act

(4) Anything done under a provision of the Board of Trade and Industries Act, 1944, and which may be done under a provision of this Act, shall be deemed to have been done under the latter provision

Short title

21 This Act shall be called the Board of Trade and Industry Act, 1986

Bylae

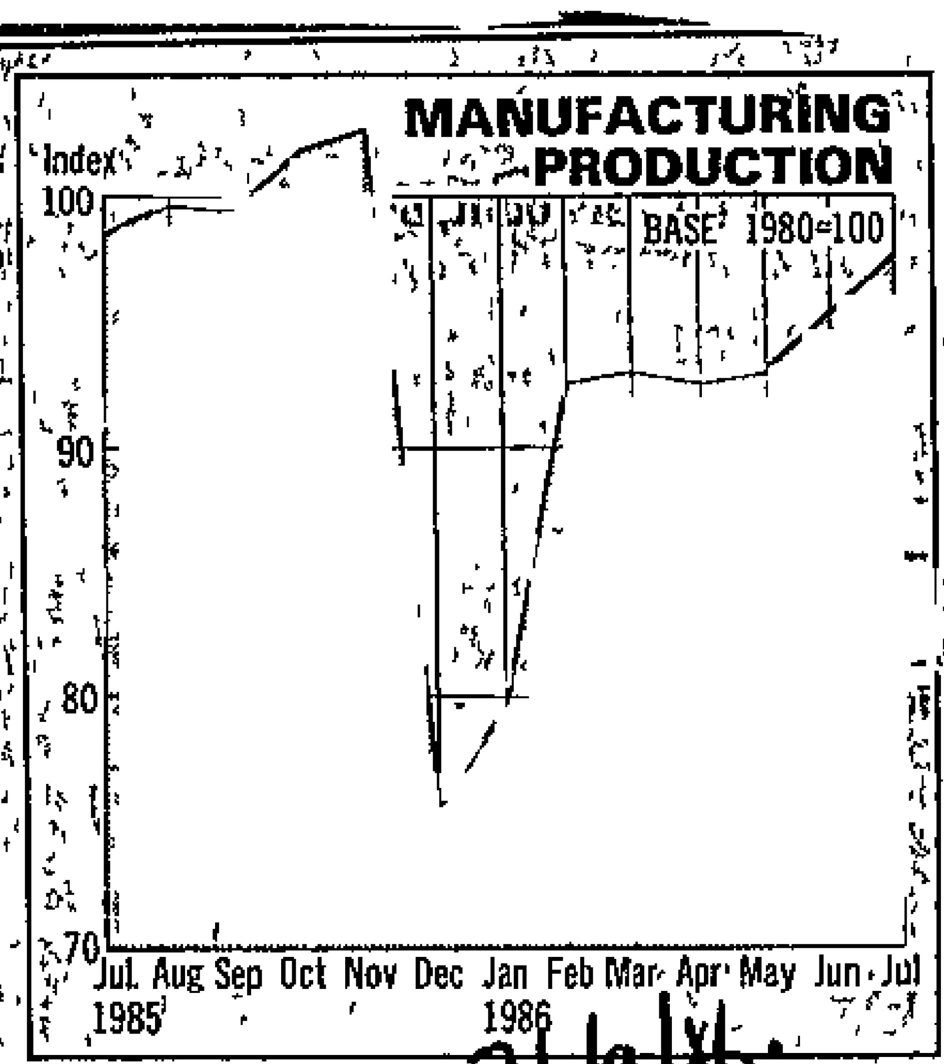
WETTE HERROEP

No en jaar van wet	Kort titel	Omvang van herroeping
Wet 19 van 1944	Wet op die Raad van Handel en Nywerheid 1944	Die geheel
Wet 1 van 1947	Wysigingswet op die Raad van Handel en Nywerheid, 1947	Die geheel
Wet 79 van 1969	Wysigingswet op die Raad van Handel en Nywerheid, 1969	Die geheel
Wet 36 van 1974	Wysigingswet op die Raad van Handel en Nywerheid, 1974	Die geheel

Schedule

LAWS REPEALED

No and year of law	Short title	Extent of repeal
Act 19 of 1944	Board of Trade Industries Act 1944	The whole
Act 1 of 1947	Board of Trade and Industries Amendment Act, 1947	The whole
Act 79 of 1969	Board of Trade and Industries Amendment Act, 1969	The whole
Act 36 of 1974	Board of Trade and Industries Amendment Act 1974	The whole



26/9/86

Production hits high

BUS DAY

180

DAVID FURLONGER

MANUFACTURING production in July hit its highest monthly level for nine months, preliminary government figures show

After the release of earlier figures showing a steady real increase in wholesale trade, and a slowdown in the rise in liquidations and sequestrations, there is growing optimism that business has finally bottomed out

Marc Olsen, MD of credit information company Dun & Bradstreet, said yesterday that credit demand was up considerably Although statistics showed a continued increase in the number of companies in trouble, the actual growth rate had slowed.

He said "We might have seen midnight in this area. It's not inconceivable that by the second quarter of 1987, or even the first quarter, we could actually see a turnaround in these figures."

On a 1980 base of 100, production volume in July was a provisional 97,9, up on June's 95,6 and the highest level since November 1985.

Crackdown on 1,3-million 'aliens'

Govt asks industry for aid on illegals

26/9/86 BUS DAY

ORGANISED industry was asked to assist in sorting out the problem of illegal labour in SA by Home Affairs Minister Stoffel Botha last night.

He told a Natal Chamber of Industries banquet in Durban that there were about 1,3-million foreigners employed illegally in commerce, industry and agriculture

And he asked industry to take greater care when employing black staff. "After all, charity still begins at home"

SA was ready for economic revival It had all the ingredients to be the economic power-house of the continent

Many SA leaders, however, lacked the necessary attitude to address the potential future "instead of always looking through the rear-view mirrors"

Botha said during the past two financial years the plight of the jobless had generated a grant of R760m for training

By March this year more than 300 000 former jobless South Africans were in employment

The small business development programme had also created 28 000 new jobs

Botha praised the role being played by industry in the KwaZulu/Natal Indaba but stressed it would be fatal if the Indaba was presented as an alternative to government efforts rather than supplementary to them

GERALD REILLY

THELMA TUCH reports the Department of Home Affairs intends to step up measures against aliens and employers contravening the Aliens Act, but that they will not apply to TBVC blacks

Home Affairs director-general B G S van Zyl said yesterday increased action was being taken to determine the location of aliens

The department was also considering doing more employer inspections, which might result in the increased prosecution of employers — and fines of up to R5 000 or two years' imprisonment under the Act

He said the department may have to increase its staff to carry out those measures It also intended providing employers with guidance as to how to identify people illegally seeking employment

Van Zyl said "They are taking up jobs of millions of South Africans who may have to be paid unemployment insurance"

However, TBVC citizens were exempt from certain requirements under the Act

They did not require a work permit, but employers had to comply with certain requirements stipulated in a labour agreement signed at the time of the independence of the TBVC states

3/10/86

BER SURVEY FIN MAIL 180

Factory challenge

People may well expect housing to provide jobs and economic growth But unless new property is given away it assumes consumers, whether black or white, have sufficient means to secure tenancy It may be so in some cases, but surely not on a sufficient scale to "get things going"

So what about other sectors, manufacturing in particular?

As the Bureau for Economic Research (BER) says in its latest *Manufacturing Survey*: "The South African manufacturing sector should be a major force in putting the economy on the road to recovery. It is the largest contributor to gross domestic product and employment creation"

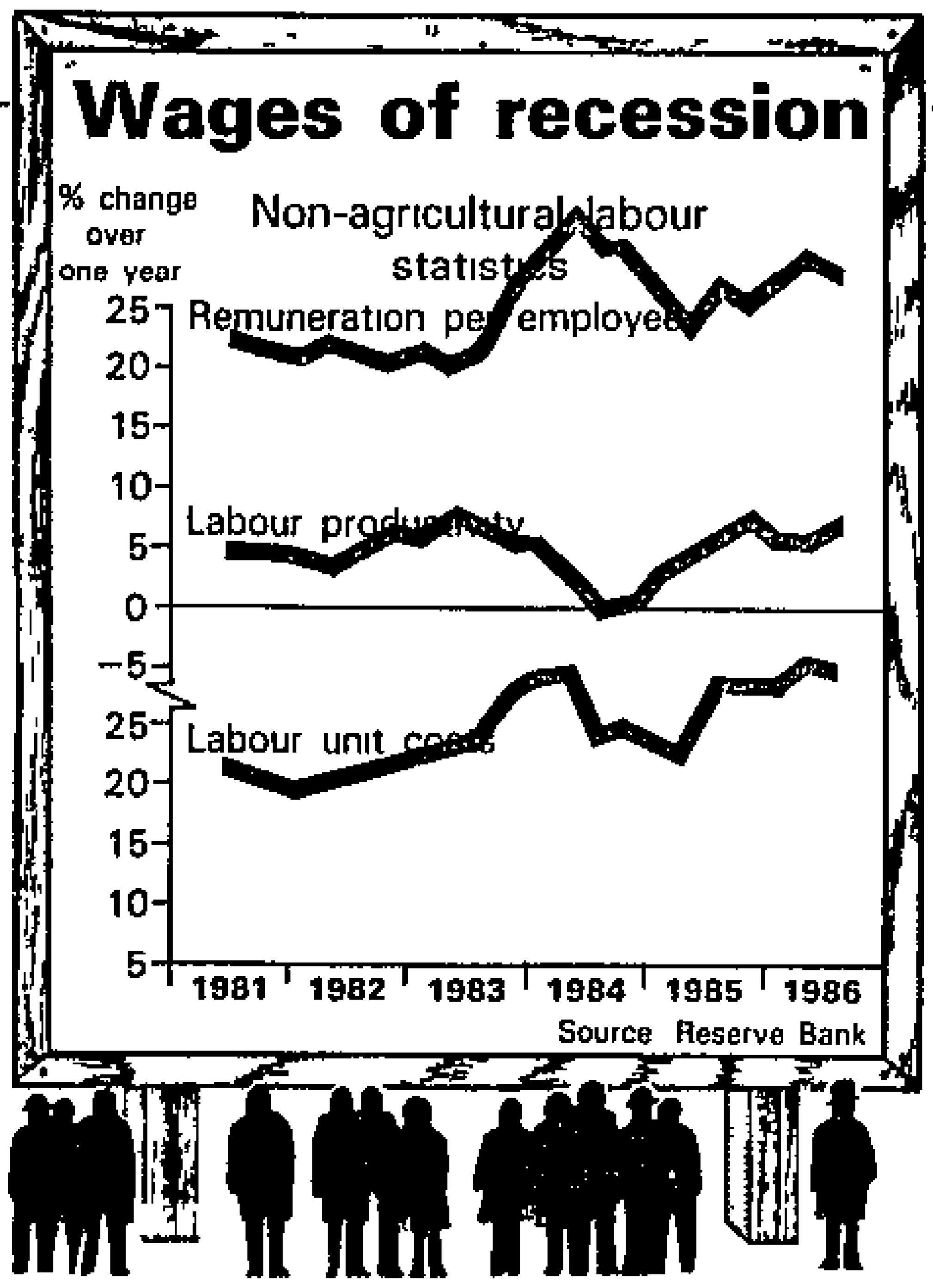
It says sanctions may well create a great opportunity for manufacturers in terms of import substitution "The opportunity to produce goods which have previously been imported might give the South African entrepreneur the necessary incentive which has been lacking for so long," it adds.

But exporting should also remain a "high priority" The goal cannot be to become self-sufficient, it says, "but to use this forced opportunity to develop our own manufacturing skills with a view to both domestic and foreign markets. It is "of the utmost importance that manufactured products be exported to a far greater extent"

At present, though a sound basis exists for the economy to gather momentum, there are many obstacles in the way of a healthy manufacturing sector. These include

- ☐ The sanctions threat;
- ☐ Internal political instability;
- ☐ Lack of demand, and
- ☐ The inability of manufacturers to curb their rising production costs

But there are nevertheless signs of an improvement. Says BER: "The manufacturing sector started to pick up in the second quarter of 1986 and improved further during the third quarter, and should gain further momemtum," judging by responses to its survey of manufacturers.



According to official data, "real activities" — that is, volume of production, employment, overtime and capacity utilisation — had declined more slowly or had begun to improve by the second quarter of 1986 Though it is extremely difficult to assess current business conditions because of long delays in the arrival of official statistics, says BER, "various indicators point to a bottoming out of the downward trend during the third quarter of 1986"

Encouraging developments occurred during the third quarter "which may spell the beginnings of a revival in the ecomony." These included improvements in retail sales, the gold price, the rand, the balance of payments, and sales and production volumes reported by participants in BER's business surveys "which seem to be underscored by Assocom's business confidence index"

In only one respect has the manufacturing sector lost its key position and that is in terms of gross domestic fixed investment Since its 1980 peak, its share in total fixed investment has slumped And 1983 was the first year it lost first position, being overtaken by finance and the following year by electricity and gas

"If this downward trend continues it will lead to a further deterioration of manufacturing's importance as a contributor to GDP and employment creation," says BER

This rightly excludes housing from the main thrust of economic renewal However, BER's final prescription may be broader but is no more helpful "South Africans have to face the facts and start acting to initiate positive economic change" ■

3/10/86

TAXATION 180

FINMAIL

Manufacturers' turn

Another round of tax lobbying is in the air, and this time it's the turn of the manufacturing sector

Since recent tax legislation made it apparent that the 50% manufacturing initial allowance would not be renewed, a number of significant projects have been cancelled

Until recently, manufacturers could write off 130% of cash invested in productive assets, 55% in the first year The current situation is a total 100% written off 50% in the first year (the initial allowance), and the other 50% as wear-and-tear allowance over the next ten years

But after the initial allowance is abolished on December 31, though 100% may still be written off in total, only 10% may count against tax in the first year as a wear and tear allowance and 10% per year thereafter

Most manufacturing finance runs over a period of ten years, from next year only the wear-and-tear allowance will be claimable over the life of the project The effects of high inflation over such a period are severe, it is doubtful that the project sponsors will benefit to the extent intended by the legislature.

Manufacturers were dealt a severe blow in 1983 when the then Finance Minister Owen Horwood announced retrospective law to end a practice known as tax-base trading. This amounted to banks, other financial institutions and, non-manufacturing companies effectively claiming manufacturing allowances through a series of special legal personae

The scheme was rooted in the fact that manufacturing allowances can only be claimed against taxable profits, and, after Horwood's law, only against the manufacturer's taxable profits With the new development, much as the economy may now be poised for an upswing, manufacturers will take longer than in the past to create new productive capacity

One tax consultant says a major Cape Town development was recently mothballed because of non-renewal of the initial allowance

The future of manufacturers' tax allowances is also affected by the Margo Commission on tax Chairman Judge Cecil Margo in his unofficial capacity has been known to favour the principle of abolishing as many tax allowances as possible, to induce a regime of overall lower tax rates This alone may be the reason for the non-renewal of the initial allowance

Some manufacturers are irked that many mines may still write off 100% of their investment in year one — but they do pay higher tax rates

A White Paper was produced on the issue over a decade ago, and investigations by commissions and academics have reached disparate conclusions While it is true that the level of tax allowances available to manufacturers has attracted the tax avoidance industry in the past, SA does not appear to suffer manufacturing over-capacity.

In the past eight years the highest figure recorded under the Reserve Banks' percentage utilisation of production capacity was 86% in 1981. Today, after four years of recession, the most recent figure was 79% for March 1986 ■

The Star Wednesday October 15 1986

180

Don't link sanctions to import replacement, say experts

By Chris Moerdyk

As Western nations imposed sanctions on South Africa over the past few weeks, the tendency to link the question of import replacement to sanctions has become increasingly popular.

There are commentators who imply that import replacement is a result of sanctions and that South Africa should get on with the job of manufacturing and growing what it can before the crunch leaves us out in the cold.

They believe that while no one has included meaningful imports into the country in any sanctions packages, this could happen sooner rather than later.

On the other hand, there have been others who have warned commerce and industry, as well as government, not to confuse the two issues.

Mr Pat Corbin, president of the Johannesburg Chamber of Commerce and experienced international trader, has said the idea of import replacement only coming about through sanctions was "one of the biggest misconceptions" surrounding the whole issue.

He suggested that instead of putting all the anti-sanctions eggs into an import replacement basket and drastically trying to curb imports, South Africa should be using its substantial buying clout to counter-trade.

Quite simply, this would mean talking turkey with those nations for whom South Africa represents a considerable market and trading-off as far as possible their imports for our exports.

Marketing consultant Mr Mike Perry agrees that the worst thing South Africa could do would be to retaliate and start either cutting back on imports from major supplier nations or buying from more friendly countries.

He claims that as long as South Africa forms an important and lucrative market for supplier nations, the greater the problem they will have in banning sales to South Africa.

What, then, forces import replacement? Mr Corbin says: "Lack of foreign currency."

Should South Africa's exports be allowed to dwindle, its importers will have less available foreign currency to make their overseas purchases So the only real connection between sanctions and import replacement is exports and not the other way round

"Importers," he says, "have as much interest in promoting exports as the exporters."

Another misconception regarding import replacement is that this means physically manufacturing products that are normally imported. Mr Perry has pointed out that Rhodesia's greatest success with import replacement was in the agricultural sector.

Everyone agrees, however, that it certainly would not hurt South Africa to look to further opportunities for local manufacture and agricultural production, but this is perhaps what the country should be doing anyway, quite apart from sanctions

In fact, many of those who have said that a beneficial by-product of sanctions would be import replacement have qualified their statements by suggesting that sanctions would merely be the catalyst to get things going.

But, to a large extent, South Africa appears to be its own worst enemy when it comes to import replacement

Mr Roger Briggs, managing director of one of the country's largest drill rig and aerial platform manufacturers, has reservations about import replacement in, for example, capital equipment.

He says that South Africa has been like "a spoilt rich kid in a toyshop" with local manufacture being hamstrung by inflexible State and corporate buying procedures.

"Unlike other countries where import replacement succeeded, South Africa has a history of generating wealth ahead of its needs. This has given rise to a situation where buyers could afford the obvious solution irrespective of cost."

In a nutshell, so many local buyers have got used to being able to buy imported equipment, their purchasing systems have now become so entrenched that they lack the flexibility to turn towards the locally manufactured product.

Import replacement will undoubtedly cause headaches in the future.

There seems to be sense in using the country's existing buying clout to "sanctions-proof" our exports and maintain a healthy balance of trade.

But there also seems to be sense in using the sanctions catalyst to generate a steady and carefully monitored increase in local production.

15/10/86 BUSDAY

180

Plant-maintenance costs soar above R20bn

MICK COLLINS

OBSOLETE practices have caused SA's annual plant-maintenance bill to rise to more than R20bn, according to research findings.

And the situation has been further compounded by sanctions which, spokesmen say, will push up costs even further.

Disclosures by P-E Corporate Services, backed by the National Productivity Institute (NPI) and other sources, suggest that maintenance is seen as the Cinderella of management priorities because it is not a profit-generating area.

P-E's engineering management division chief John Marks, says: "Apart from the sanctions threat, our maintenance bill is already running well in excess of the R20bn referred to in various surveys."

He says sanctions will cause engineers to stockpile critical parts, and this will tie up capital. "Engineers and managers need to urgently formulate action plans for the future."

Another research source says management recognises the need for maintenance but lacks the know-how. "It is extraordinary that whole sectors of local industry are simply unable to state how much they spend on maintenance."

Research carried out by the NPI across a broad range of industry shows the utilisation of maintenance staff ranges on average between 50%-70%, with the lowest being 48%.

Surveys done by P-E substantiate these figures and, says Marks, "in certain cases we have found that actual productivity can be as low as 30%-35%".

In these cases, artisans spend less than half their active time on productive work. Marks says this obviously has profound implications in terms of SA's skills shortage.

The NPI's Doug Pickup says sanctions could create a problem as to the availability of spares. "But we haven't seen the reality yet. Spares are still coming in and new machinery is still available."

Dana Maas, director of Unimation and a consultant to the manufacturing industry on new technology, says: "Retro-fitting existing machinery is the answer to beating sanctions and an unfavourable exchange rate.

"Modifying old machines and fitting them with the latest technology is a viable solution, as a retro-fit costs between 10%-20% of the price of a new machine."

17/10/86 (180) BUS DAY

Sanctions will top FCI agenda

GERALD REILLY

THE prospects for economic recovery and the impact of sanctions will dominate discussions at the annual Federated Chamber of Industries executive-committee meeting in Johannesburg early next month.

According to an FCI spokesman, the meeting could be a useful precursor to the State President's economic summit on November 7.

The debate on economic recovery will take place against the background of recently-imposed US sanctions and the possibility of sanctions and boycotts being applied by some of SA's other trading partners.

Roger Gidlow, economic adviser to the Reserve Bank, will report on SA's debt-repayment negotiations.

Jan Bouwer, Credit Guarantee Insurance MD and chairman of the private-sector Export Advisory Committee, will discuss trading under sanctions conditions and the support which can be given by government to the export community.

Council of Unions of SA joint secretary Piroshaw Camay will discuss industrial-relations issues.

Christo Nel, newly-appointed assistant to the FCI chief executive, who is dealing with the practical implementation of the FCI Business Charter at company level, will report on the progress made by the FCI.

Deputy Trade and Industries Minister Kent Durr will address the FCI conference on economic prospects in a sanctions environment.

Professor Deon Geldenhuys, of RAU will analyse SA's international isolation, while JSE chairman Tony Norton will give a practical insight into business management in a sanctions environment.

IDC study finds SA industry can make 25 pc of imports

STAR 20/10/86

180

By Michael Chester

Studies by the Industrial Development Corporation have revealed that at least R4 000 million-worth of all products imported every year from overseas could be made by local producers.

Initial results indicate that local industries should be able to manufacture almost 25 percent of all present imports by better use of their production and labour resources

Normal IDC studies into longer-term investment patterns have been accelerated by growing international threats of sanctions and increasing needs to defend the balance of payments from the repercussions of the weakened rand.

The State-run IDC plans to seek the co-operation of the private sector and the Board of Trade in working out the details of a bold new import substitution programme with economic viability and with no excessive demands on government protection

SECTORS IDENTIFIED

Among the industrial sectors that have so have been identified as having the potential to reduce dependence on imports and save millions of rands in foreign exchange are.

- Machinery and equipment R800m
- Electrical R570m
- Chemicals R450m
- Office equipment R450m
- Radio and TV R370m
- Paper products R290m
- Textiles and clothing. R250m
- Automotive vehicles. . R175m
- Basic iron and steel R170m
- Mining products R155m
- Metal products R140m
- Rubber products ... R90m

The IDC regards the provisional list as a guideline to South Africa's own capabilities.

While the precise totals may be amended as practicalities are examined in closer detail, more products may be added as the study progresses

"Finance for industrial expansion should be no problem," said the managing director of IDC, Mr Koos van Rooy.

"First, the recession has created lots of surplus in existing production capacity and we can take up the slack at very little cost.

"Next, we have adequate cash resources to meet new investment needs for actual industrial expansion."

BUSDAY 20/10/86

No growth a symptom

180

GERALD REILLY

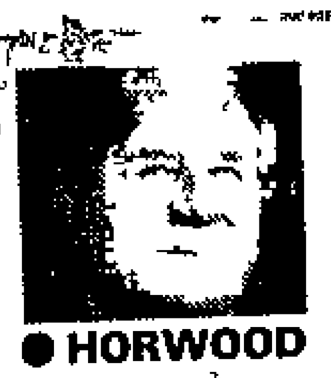
THE stagnant state of employment growth and productivity was symptomatic of manufacturing's dismal performance, Constitutional Development and Planning CE director C C Scheepers said at the weekend.

He told the Bureau for Market Research's AGM various other socio-economic indicators showed SA had suffered severe structural development problems since the late Sixties

Central Statistical Services showed the economy's vacancies had risen from 70 000 in 1973 to almost 200 000 in 1983.

Vacancies for artisans numbered 27 407 in 1983

Scheepers said: "These figures reflect the structural imbalances that exist in the labour market, and which have a pronounced influence on productivity and competitiveness, and on income demand and supply structures in the economy."


● HORWOOD

Manufacturers need tax relief — Horwood

22/10/86 BUS DAY 180

FORMER Finance Minister Owen Horwood has appealed to government to ease the tax burden on manufacturers.

At the AGM in Stellenbosch yesterday of Cape Wine & Distillers, of which he is chairman, he called on the authorities to change the way it taxed stock profits.

He said the previous method of stock valuation had to be ended in 1984 because of misuse. But it was clear to the authorities at that stage that a heavy burden would be imposed on companies carrying large stocks and that they needed to find alternative valuation methods.

"As long as our inflation runs high and taxes are levied on fictitious profits created by inflation, the manufacturing sector will remain unattractive as a field of investment."

Horwood said if the manufacturing sector was to provide an increasing number of jobs, it would be wrong to tax it more than other sectors — Sapa

NATIONAL

'Made in SA' could save R4 000m

25/10/86 180

The Argus Correspondent

JOHANNESBURG — Studies by the Industrial Development Corporation have shown that at least R4 000-million worth of products imported every year from abroad could be made by local producers

Initial results indicate that local industries should be able to manufacture nearly 25 percent of all current imports by better use of their own production and labour resources.

THREATS

Normal IDC studies into longer-term investment patterns have been accelerated by growing international threats of sanctions and increasing need to protect the balance of payments from the repercussions of the weakened rand.

The State-run IDC now plans to seek the co-operation of the private sector and the Board of Trade in working out details of a bold new import substitution programme

Among the industrial sectors that have been identified as having the potential to reduce dependence on imports and save millions of rands in foreign exchange are

Machinery and equipment (R800-m), electrical (R570-m), chemicals (R450-m), office equipment (R450-m), radio and TV (R370-m), paper products (R290-m), textiles and clothing (R250-m), automotive vehicles (R175-m), basic iron and steel (R170-m), mining products (R155-m), metal products (R140-m), rubber products (R 90-m).

STAR

y October 24 1986 (1891)

Sullivan Code may be loser in buyouts

By Chris Moerdyk

Buyouts by local management of American subsidiaries in South Africa are snowballing amid fears by other United States companies that new management will dump social responsibility and Sullivan Code practices.

At a meeting this week of the Sullivan Signatories' Association, members were reported to have discussed a slip in Sullivan Code rating by American subsidiaries in South Africa.

Present was a key evaluator of performamce in terms of the code, Mr Reid Weedon, senior vice president of the American management consultancy, Arthur D Little.

The president of the American Chamber of Commerce in South Africa, Mr Frank Lubke, said the chamber was aware of the "buyout" trend.

"A lot of companies that feel their United States domestic business is threatened will take the route of management buyouts. It seems to make common sense and will eliminate the 'hassle-factor' of doing business with South Africa."

American corporations were under pressure but would take the least painful route with regard to disinvestment.

"We even have instances of American companies denying that they are American on the basis that they report directly to European-based offices."

EMPLOYMENT

Mr Lubke said that the American Chamber hoped former United States companies under local management would not "turn back" on employment and social responsibility policies.

"I would like to think the integrity of new management would be such that they would continue. But I am not suggesting they continue to the same extent on the Sullivan Code, particularly from the point of view of outside involvement.

"Paying 15 percent of a payroll on social services might prove to be impossible in this economic climate," he said.

Spokesmen for other American companies have expressed fears that local management of former US subsidiaries would not be under the same kind of pressure to apply the Sullivan Code and would "dump" major portions of these policies.

"It is unrealistic to believe that this will continue at the same level, if only from a purely economic point of view.

"Not only will companies reassess what they might believe to be 'overkill', but where they might previously have been stopped from selling products to the SAP and SADF, for example, it will be seen to make business sense to resume selling to these lucrative markets."

Argus 24/10/86

180

VENTURES

First SBDC cluster industry project launched in W Cape

By LAURA YEATMAN
Finance Staff

THE Small Business Development Corporation opened its first cluster industry complex in the Western Cape, but it was urged to shed its negative political image among prospective black entrepeneurs

The complex in Hadji Ebrahim Crescent, Athlone, houses 22 businesses ranging from carpenters to radiator repairs on 815 sq m About 50 jobs were created at an average cost of R2 600 and the total estimated cost of the project is R126 000

"The SBDC is wrongly seen as a semi-government body," said Mr B Figaji, vice-rector of the Peninsula Technikon, in his opening speech yesterday "The corporation creates the image of officialdom and white control"

LOW COST WORK SPACE

A cluster industry accomodates entrepeneurs in low cost work space where expensive equipment and a secretarial service is provided centrally The SBDC also provides services like business advice and information, marketing assistance and access to training programmes

Another field of activity is lobbying against unnecessary rules and regulations blocking small business development

There are eight other cluster industries in South Africa

The SBDC has provided financial assistance totalling R230-million to 9 000 small businesses from the informal sector, according to managing director Dr W Vosloo Over 100 000 job opportunities have been created countrywide In September alone the SBDC received 18 000 inquiries

Mr Figaji said the appointment of Professor Wolfgang Thomas, of the University of the Western Cape, as deputy regional general manager would assist in seeing that the SBDC was sensitive towards the attitudes and needs of the community it served

Professor Thomas said "We need to build up an independent structure of contacts and a basis of trust in the African community We need advisers who understand and relate to the situation"

He said he was aware of a strong suspicion about th SBDC in many circles because it was partially government financed.

"The SBDC is a private company The Government has 50 percent of the shares, but only 25 percent of the control"

Professor Thomas said the Government was a major source of finance in contrast to a "stingy private sector"

The National African Federated Chamber of Commerce was distancing itself from Government and this could create problems for the SBDC, he said

Mr Figaji said the SBDC was criticised for "treating the disease and not the cause" Blacks also rejected developments unless they were associated with fundamental change in South Africa

There would be no stability until there was equal participation of all South Africans in every sphere of life

With rising unemployment, black urbanisation and population growth this country "could look forward to a bleak future unless something was done"

Small business was the most effective job creator in a free enterprise economy, Mr Figaji said

Heavy weather ahead for industry and commerce

26/10/86 (180) SUNTIMES

By David Southey

SKIPPERS of industry and commerce should prepare for choppy economic waters The worst may not be over.

This was the warning given by Trust Bank managing director Chris van Wyk at the Assocom conference

Dr van Wyk said "I believe the future business environment will be volatile, uncertain, with rising levels of interference in business decisions by Government, labour and consumers, and virulent cost-push inflation will prevail"

If the skipper wishes to reach distant shores safely and successfully he will be forced to deprive himself of much of his shore leave"

Dr van Wyk listed the critical success factors as

● A restoration of confidence among businessmen, consumers and the public. "It is important that all South Africans acquire greater confidence in the future of SA and in its peoples and in the resolve, dedication and capability of all SA leaders to jointly carve out a future which promises peace, stability and ample opportunities for everyone in a free society which adheres to the principles of capitalism"

● Ability to cope with the growing international constraints on SA

● A "strategic approach" to achieving long-term national objectives

Dr van Wyk sounded a decidedly pessimistic note on inflation, saying he doubted the rate in 1987 could fall below 16% to 18%

Tax relief

He said "Risk capital increasingly shuns productive, employment-generating investments in favour of active participation in the financial investment markets"

Because of the Government's continuing large share of the total economy, significant tax relief could not be expected High personal and company tax reduced the probabilities of an accelerating and sustainable economic upswing "because it blunts the desire to excel financially and chokes enthusiasm for real fixed investment"

Dr van Wyk was confident that more financial assistance would soon be forthcoming from the Government in the face of an "overwhelming" unemployment problem

"A quantum jump in job creation is priority number one in SA"

He said there was "little statistical proof of a resurgence of consumer spending (although) an increasingly encouraging picture of the outlook for consumer spending is being painted".

Arguing against an upsurge in consumer spending was that "a significant impoverishment of a large section of SA wage and salary earners has occurred since the middle of 1984"

Moreover, large increases in wages and salaries were unlikely

"Expected conditions are not harbingers of a consumer boom."

***

IN a speech filled with fire and brimstone, PFP financial spokesman Harry Schwarz tore into the Government's Priorities Committee.

How could it hope to represent *all* the people of South Africa if it consisted only of representatives from the Government and the public sector, he asked. Determination of priorities should be the responsibility of all the people

Mr Schwarz warned that there was a growing tendency for businessmen to sit back and accept sanctions "There seems to be an attitude of, 'Why fight against sanctions because the battle is already lost?' What we must realise is that sanctions have only just begun — there is far more lined up in the future"

Instability in SA was the major reason why people and companies were pulling out their money

"Those who disapprove of apartheid must be permitted to put another agenda on the table. Unfortunately, the Government has failed to assure the protection of moderates in this country and the moderates have failed to come up with an alternative option. We must have freedom of speech and basic human rights otherwise moderates will not be protected."

Chalking up second worst showing

(80)

BUS DAY 28/10/86

GERALD REILLY

THE manufacturing sector chalked up the poorest performance, after the agricultural sector, last year.

In fixed investment, there has been a decline of 45% from 1981 to 1985.

Finance, Trade and Industry Deputy Minister Kent Durr said yesterday at the opening of a factory at Ezakheni, near Ladysmith, that last year real gross domestic fixed investment fell by 2,5%.

He said: "You don't have to be an economic guru to know this is bound to have a profound impact on long-term growth prospects." It was disquieting, too, that fixed capital stock in the manufacturing sector had actually fallen in real terms in 1985.

Numbers employed in the sector had fallen by 65 000.

Durr said the abolition of influx control had not removed the need for development and employment in rural areas.

Another reason why planned urbanisation did not lessen the importance of regional industrial development was it was simply not possible to create infrastructure and job opportunities in the metropolises at a rate commensurate with the potential rate of urbanisation.

Durr said government was fully aware of the need for economic growth, not least as a means to more rapid constitutional progress.

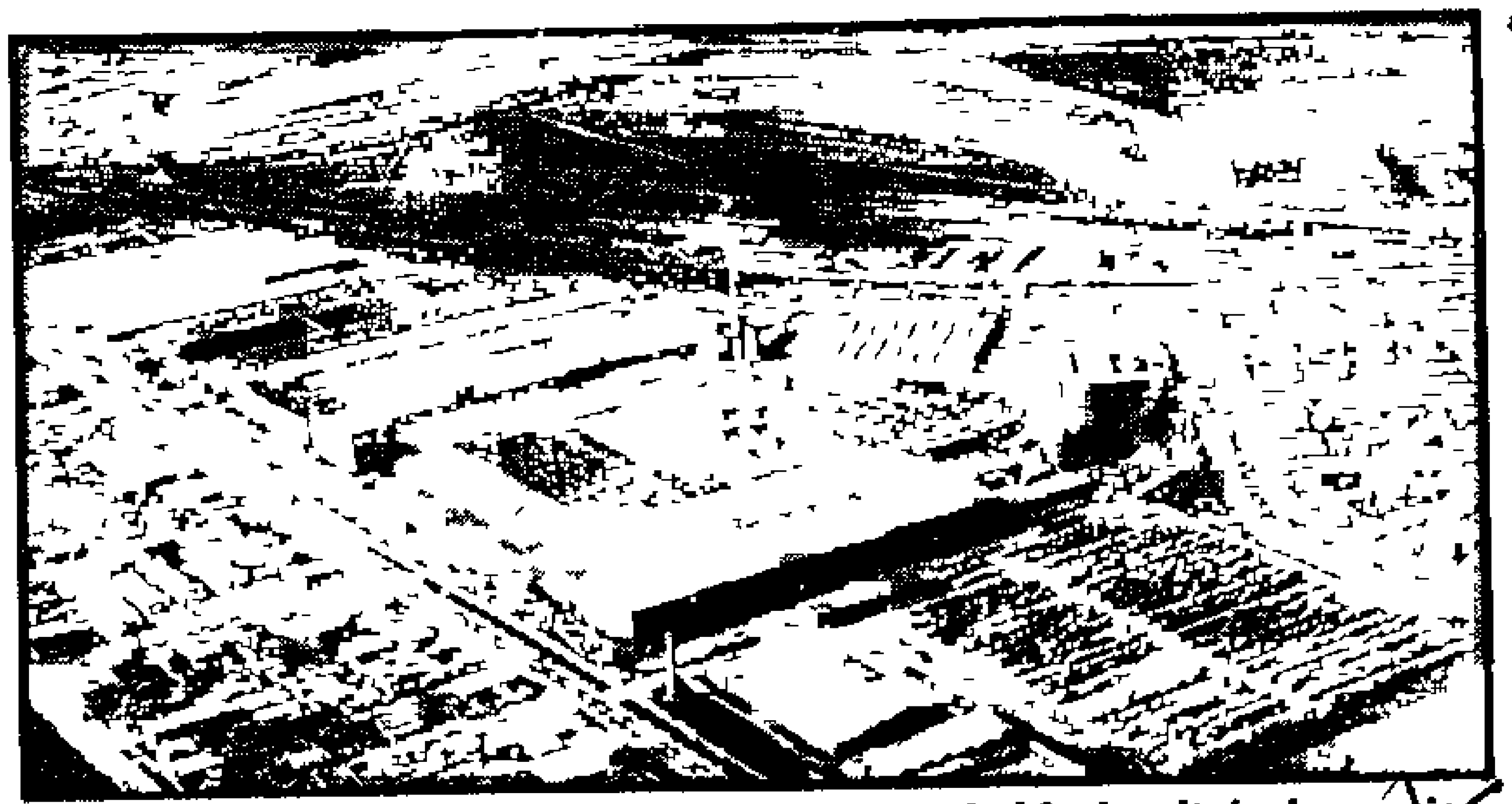
To this end it had deployed several major strategies, among them privatisation and deregulation.

BUS DAY 1/10/86

180

NEWS FOCUS

***Business Day* highlights how the city was hit by the collapse of the car industry and its future economic prospects**



☐ PORT ELIZABETH . . . diversification could help lift the city's depression

Is PE getting itself into gear again?

Economics Reporter

AT A time when economic indicators increasingly are pointing toward recovery for SA, Port Elizabeth remains mired in the depression brought on by the collapse of its car industry

Ford Motor Company shocked the city by shutting down its assembly plants at Struandale and Neave, retrenching more than 4 000 workers in the past 20 months

General Motors has dismissed hundreds as well; and Volkswagen has thinned its staff by attrition

In all, employment at the three car giants has been halved since 1983, to about 7 000

Retailers in the North End and other areas are just now recovering from the second boycott of their stores by black consumers in a year and face a third within two months.

"Business is lousy," said the owner of a small clothing store on Main Street.

And politics and violence still dominate life in the townships. Rumours of another stayaway from black schools, to begin today, were circulating on Monday

Port Elizabeth's depression, made deeper by SA's long-weakened economy, has touched nearly everyone.

Retailers have lost sales, and unemployment among whites has grown steadily. Many whites retrenched by local companies have left the area and estate agents report a 10% vacancy rate for the city's homes.

Diversified

But many say the worst is past for the city's business sector.

"There is no hiding the fact that Port Elizabeth is going through rough times, but it's also true that PE's residents are fond of making the situation sound worse than it is," said Chamber of Commerce secretary Tony Gilson.

Indeed, some of the small components manufacturers that once supplied Ford have diversified into new markets, and larger companies with country-wide customer bases say they have been less affected by the region's decline

Gilson points out that the number of retail licenses have actually increased in the last two years — although most are for smaller stores.

It is Port Elizabeth's blacks who have been hit hardest — and longest

Black unemployment stood at 53% in August, according to data compiled by Vista University professor Michiel Levin. Surprisingly, unemployment has improved slightly from a year ago, when it was measured at 56%

But these figures do not include the 7 000 blacks who work for R4 a day on government relief programmes, as well as those who have given up looking for jobs Joblessness actually may be closer to 70%, others say

The resulting poverty is difficult to miss. Outside Zwide, a black township just north of the city's major industrial area, thousands of wood and aluminium shanties jam the plain where no proper homes have been built.

As many as 150 000 of the region's 450 000 blacks live in the slum, nicknamed "Soweto-by-the-Sea"

Experts believe the black unemployment rate may have improved recently because blacks have started to move from the area in the last six months to Transkei and Ciskei — both to find work and to escape the violence of the townships

Exodus

Vista's Levin says the number of occupants per site in black areas has declined to 6,9 from 7,9 a year ago.

But the exodus is not expected to last much longer.

Roger Matlock, regional policy director of the Urban Foundation, expects the 4,5% historical growth rate in the black population around Port Elizabeth eventually will accelerate to between 6% and 8% annually, as drought-stricken farmers no longer bound by influx control regulations flock to the city in search of jobs that don't exist

"Even if someone washes one car a week here, they're likely to get more income than they would in the wilds of Molteno," Matlock said.

Meanwhile, the Emthonjeni group training centre, 10km north of the city centre, will train 7 000 unemployed — mostly blacks and coloureds — this year, as drivers, mechanics and construction workers.

The special programme for the unemployed, financed by the Department of Manpower, originally was to last one year; it has been extended to five

But deputy director Leon De Villiers estimates that only 30% of those trained will find jobs in the near future

Pope in beer tour row

SYDNEY — An Australian brewery's major sponsorship of the Pope's forthcoming Australian tour has triggered a bitter row with the local aboriginal community

One of the churchmen organising the visit was involved on Tuesday night in an extraordinary television slanging match with a leading Aborigine, who accused the Catholic Church of accepting "blood money"

"Why don't you get sponsorship from the cocaine and heroin dealers in Australia?" head of the Aboriginal Affairs Department Charles Perkins asked Father Anthony Kain, director of the South Australian leg of the Pope's nationwide tour

The South Australian Brewing Holdings Group said the Papal deal, worth more than R140 000, would pay for a picnic for about 250 000 people after a Mass in Adelaide on November 30 The brewers will also issue "special edition" beer cans to commemorate the seven-day visit, which starts on November 24.

Perkins, an anti-alcohol activist, was particularly incensed by Kain's remark that alcohol was a gift from God. "I have never heard a more ridiculous statement in my life What they are doing is selling their souls to the beer companies . I think that is disgraceful and despicable," he said.

Perkins told Kain at the end of the angry argument "Father, count your dead." — Sapa-Reuter

BUSDAY

NEWS FOCUS 29/10/86 (180)

DAVID FURLONGER
Industrial Editor

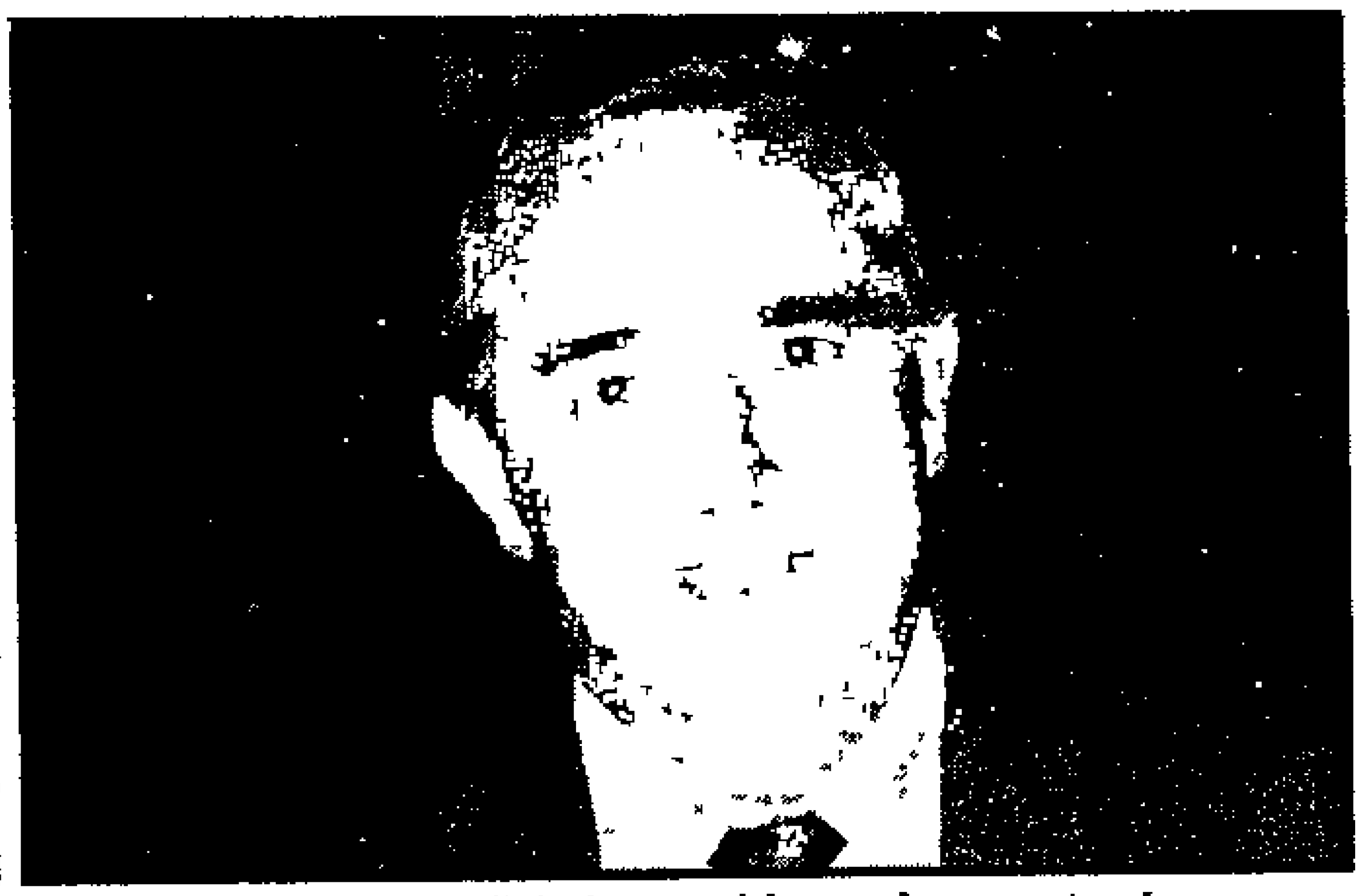
INDUSTRIAL and scientific research in SA is about to undergo a fundamental change in direction.

The Council for Scientific and Industrial Research (CSIR) is preparing to join the rat-race and become an active partner in the country's industrial development

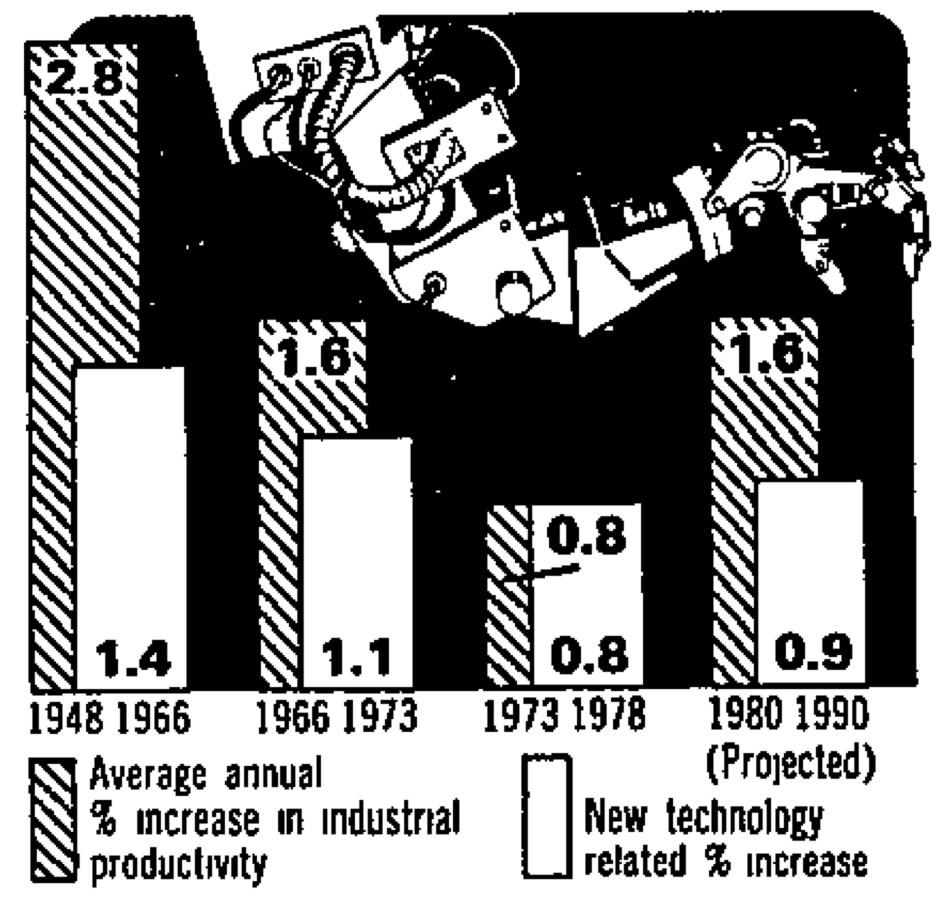
One of its main objectives will be to play a major role in the process of technology transfer — the means by which new technologies are developed for local needs.

A policy document setting out the CSIR's new role says "The CSIR's mission has become blurred In its efforts to maintain an optimum balance between contract and basic research, it plays several fundamentally different roles, and these have not been clearly delineated.

"This in turn has led to an absence of clearly defined corporate goals, strategies and tactics Not enough attention has been given to the implementation of research findings and seeing that new technology was successfully transferred to its sponsors. The predominant research culture has been academic-inclined in character, rather than goal-orientated."



GARBERS ... 'We have critics and supporters'



CSIR to play more active research role

Cutting overheads

In shedding its "boffin" image, the CSIR will also become a hard-headed business Overheads will be cut and each stage of research costed in advance In addition to cash received for contract research work, it will seek dividends and royalties from industry for products and processes it helps develop

Says CSIR president Chris Garbers "If you succeed in making something pay, we will take something for royalties"

The CSIR's profit-motive is guided partly by government's decision to re-assess, from 1988/89, the average 4%-6% increase the council has received in funding, and to impose zero-based budgeting.

Should the CSIR make substantial profits in its new deal with industry, will this persuade government to tighten its purse strings still further?

"I don't know," says Garbers, "but I believe there will always be a need for government input for infrastructure and to enable something like the CSIR to take a long-term look at research needs"

In becoming market-orientated, the CSIR will move away from the public-service mentality of jobs-for-the-boys.

"It will have to compete aggressively in the marketplace for those skills it will need in entrepreneurship, innovation, management and leadership, as well as scientific and engineering expertise," says the policy document. "Its staff-recruitment policy will become one of greater flexibility and autonomy, which acknowledges success and penalises lack of achievement."

The CSIR's immediate task — assessing technology-transfer needs — will be achieved through privatisation of the SA Invention Development Corporation (Saidcor) The new company will be controlled jointly by the CSIR, the Industrial Development Corporation and private enterprise

The company will have a total shareholding of R50m-R100m

Technology needs will be assessed through a system of "technology auditing". Experts will examine a company's technology requirements, see what is available in-house, what locally, and what must be brought in from overseas

"Priority will be given to those companies with the necessary motivation, need and maturity to benefit from it," says the document.

Overall technology needs of industries will also be assessed But this will not prohibit single companies from seeking assistance, Garbers adds.

"I don't want to be proscriptive Industry has to ask for a technical audit We're not going to impose it.

Determining needs

"We would like to operate over the whole spectrum — from major operations to small industry. Where we deal with the latter, we would work closely with the Small Business Development Corporation in determining needs"

He says initial response from industry has been mixed "We have critics and supporters On the whole, reaction has been very supportive Some individuals say it should be left to industry itself"

The purpose of technology transfer is to overcome the lack of research and development available in SA The small market and limited research facilities make it both impractical and uneconomical to operate at levels which can be achieved overseas

In order for SA not to fall behind in industrial technology, SA must make use of local and overseas development and adapt it to SA conditions and needs

The sanctions threat — in addition to a growing reluctance by international scientific organisations to maintain relations with SA — makes such a process vital to maintain SA's industrial development

Garbers admits "We have already experienced problems in getting overseas technology" But he adds "There will be no poaching We will be very straightforward"

The danger remains, however, that SA may become less straightforward if its development is threatened.

Pressed on whether SA will be forced to pirate technology, Garbers says "It isn't something that has happened in the past If we come to that bridge, we will have to cross it.

"It must be borne in mind we are doing 0,3% of the world's research and development effort. There is an enormous amount of development overseas If we are kept away from that development, it will hurt and erode our ability to be competitive" the fishing industry.

The Diemont Commission was appointed in June last year Although two previous commissions, in 1970 and 1980, have looked at marine resources, Diemont was the first to investigate the allocation of quotas

The report is a personal triumph for Wiley. Nineteen years ago as a United Party MP, he campaigned for a government probe into fishing quotas and licences

How the report and WP will be greeted by the industry remains to be seen after the documents are distributed. However, the WP acknowledges that "fundamental issues" were addressed in the report about which there were bound to be "differences of opinion "

Among the report's recommendations are that:

□ Greater benefits should accrue to fishing communities in the smaller coastal towns,

□ A quota register should be established to record the allocation and transfer of all quotas;

□ Steps should be taken to prevent the accumulation of quotas through transfer or purchase by individual quota holders No individual company should be allowed to hold quotas for more than 30% of the TAC, although no action will be taken against companies that currently have more than 30% of the TAC,

□ No permanent quotas should be issued, but security of tenure should be assured Quota periods should be extended to 10 years for hake, sole and pelagic fish and for seven and five years for west and south coast crayfish; and

□ The industry should not be closed to newcomers, but entry must be controlled

Proposals are also made for bolstering marine research ■

FACE TO FACE

CHRIS GARBERS

Hi-tech transfers

180

FIN MAIL 31/10/86

Chris Garbers is president of the Council for Scientific and Industrial Research (CSIR). Here he discusses the CSIR's "vigorous response" to the challenge it has been set in government's White Paper on an industrial development strategy which could become a major conduit for technology transfer in SA.

***FM*: As US restrictions on computer sales are aimed at the public sector, isn't there a possibility that CSIR involvement could increase the risk of sanctions directed at other areas of technology?**

Garbers: The US State Department is familiar with research and development (R & D) within the CSIR and restrictions on computer sales to the CSIR itself are directed at specific activities We have honoured all the assurances we have given in the past, and it is my impression that we can still obtain computers from the US We have for many years been deeply involved with the private sector

During 1986 we shall conduct approximately 2 500 contracts for the private sector, which will earn us about R30m Although the CSIR is partially State-funded, I foresee no major problems.

There appear to be similarities between the CSIR's new role and that played in Japan by the Ministry of International Trade and Industry (Miti). This has, while supporting the free enterprise system, an overall supervisory role in R & D. Do you see that as a model for SA?

The CSIR to some extent has to fulfil a role with some analogies to that played by Miti. We have scanned the literature, we have looked at specific areas for exploitation, we have looked at areas for import replacement, we have evaluated specific technologies with their applicability — and so forth

The MD of a large electronics company recently expressed grave reservations about the CSIR's new role to the *FM*. He says technology transfer has been handled successfully by the private sector in the past and it should continue that way.

The private sector has been successful in obtaining licences from overseas and implementing technology That mechanism should not in any way be impaired But we have a situation where people might not have access to all the technologies they require, and here we can be of assistance. The extent of our current involvement in industry supports our view that there is a healthy demand for our services, which will be considerably enhanced in future.

Is there a risk that the CSIR could become an organ of patronage, dispensing parcels of technology to a favoured few?

If facilities are available which can be used and exploited effectively, people who do not make use of them can hardly point a finger at the people who do We want to make good contact with people in industry, assess their market needs, and try to assist them in filling those needs Although we intend to be proactive as well as reactive, it will always be market driven I can see no harm in doing so, particularly if this will strengthen South African industry

One of the concerns of the private sector is to know how flexible and autonomous the CSIR can be within the ambit of the government's White Paper

Why should the White Paper be restrictive?

Two points in it go very much against the grain of free enterprise. While the White Paper calls for greater use of a marketing and market-orientated policy, it also talks about promoting a greater degree of price stability, which smacks of price control. Secondly, it calls for more vigorous and effective decentralisation efforts. This policy has already proved economically unsound.

The Department (of Trade and Industry) specifically asked the CSIR to devise a mechanism for the transfer of technology We are not involved in the philosophy of decentralisation If an industry in a decentralised area has a specific problem where we can assist them to operate effectively, that brings it into our ambit — otherwise we have nothing to do with the formulation of that particular strategy

How will all this be funded?

The CSIR council feels we have to earn greater independence as a statutory council through greater budgetary independence. The way to do that is to become an effective partner of industry and to assist industry to be more profitable so that we can share in the additional profits We will go into a process of zero-growth budgeting in 1988, which means we either have to earn more to replace the money that we are going to lose, or compete effectively for new funding We will only survive by better allocation of internal funds or increased earnings from the markets we serve — not only the private sector We want to mobilise some of our funds into a Technology Innovation Fund (TIF) Savings will be made available for joint ventures with industry

What role will the SA Inventions Development Corporation (SAIDCOR) play in this?

SAIDCOR will be privatised and its assets used as the CSIR's shareholders' contribution We will ask other organisations to come in on par to form a new private technology development company which will operate in the private sector and sponsor the higher risk type of project The new company will assume the major functions and assets of SAIDCOR Provision will be made for participation by the Industrial Development Corporation and the private sector

How soon do you expect the first fruits of the technology transfer initiative to be apparent?

The first steps have already been taken We have started management training, created the TIF, and elected the first projects to be started within that fund

What are these projects?

These are joint ventures with industry, and still pretty confidential Two examples I can quote from memory are a chemical commodity that could be a major moneyspinner, and another is a biotechnology technique to replace a sophisticated product which we have to import at the moment at a cost of R7,5m a year

FCI 'Bill of Rights' for SA's industry

Cape Times 5/11/86

JOHANNESBURG. — A powerful case for a scientific wealth-sharing programme in which all in SA should participate was advanced at the annual convention of the Federated Chambers of Industry (FCI) here yesterday

The plea came as part of a report on the FCI's ambitious Business Charter.

Intensive work on implementing the charter had already been undertaken jointly with the management and staff of 120 private sector and para-statal organizations

Reinforced by a determined grass-roots, blood-sweat-and-tears programme, the injection of the charter into the economy is ahead of schedule and the results are "most encouraging", it was revealed

Reporting on the practical implementation of the charter, the chamber's Christo Nel said intensive work on implementing it had already been undertaken jointly with the managements and staff of 120 private sector and para-statal organizations, and the figure should reach 150 by the end of this month

The FCI Charter is essentially a "Bill of Rights" which seeks to replace confrontation in the workplace, and more widely, with co-operation under a system in which labour can achieve a greater stake in decision-making and in both existing wealth and in wealth creation

Nel told Sapa "The gist of the first objective is that managements and labour should approach joint enterprise in partnership not confrontation

"Secondly, we are committed to installing monitored programmes to equalize opportunity in recruitment, training and education

"This is an enabling exercise to break the historical disadvantages which many workers have found themselves locked into

"Thirdly, we recognize that business is currently the only area of contact on a major scale by blacks and whites at all levels That is why we are concentrating our initial thrust within corporations and industries

"But business needs to help expand the interface to also encompass political and socio-economic sensitization

"More broadly, many of the people in this country need a far broader access to decision-making and wealth — in housing, education, community development and many other areas.

People in this country need a far broader access to decision-making and wealth — in housing, education, community development and many other areas

"Next the informal sector and small businesses need intensive lobbying at local government level for more deregulation and easier access to trading and markets

"Of course the Charter has to be understood from grass roots to the boardroom

"Also, there has to be a consolidated drive drawing support from across the entire spectrum of industry and commerce . " — Sapa

Shake-up of cartels spreads unease

BUS DAY 10/11/86

Industrial Staff

INDUSTRIES slated for shake-up by Competition Board (CB) action liken their situation to sitting ducks splashing about under a cloud of uncertainty

A survey of industry spokesmen reveals widespread fear and confusion — particularly with the threat of price wars — in the wake of the CB's threat to lean on cartels.

Many industries, including building, coal and short-term insurance, are negotiating with the board over their future

Other industry groups like Fedhasa, advertising and cement have received temporary exemptions from CB action. But they join a long list of industries scrambling to come up with strategies for the post-cartel era.

Industry spokesmen naturally downplay their fear of CB action, sensing any publicity could upset delicate negotiations with the board.

But Mike Perry of corporate consultants Perry and Associates gives a more sobering view. He says the gazetting of groups to be affected " .. is the first tremor in a landslide of change to traditionally hide-bound South African business practice"

The CB has decreed that all forms of market sharing, price fixing and collusive tendering will be illegal Industry sources agree ultimately the consumer and efficient producers will benefit.

Short-term insurers have asked the CB to leave them alone. SA Insurance Association CE Rodney Schneeberger argues that any cartel-like activity in the insurance industry is in the public interest He is still waiting to hear the board's response.

Advertising agencies have been told fixed commissions will fall away on December 31 But details of agency remuneration remain under negotiation

Other industry groups targetted by the CB include school books, chemicals, milk and dairy products, records and travel agencies.

Healthy year-end now in sight

21/11/86

(180)

Trading starts to gather steam

BUDAH

MICK COLLINS

WITH three of the main economic sectors — manufacture, retail and wholesale — all hoisting resurgence signals, indications for healthy year-end trading are strong.

There are now definite signs of an increase in economic activity in the manufacturing sector, after a poor performance earlier in the year.

The physical volume of manufacturing production, for the most recent three months up to September 1986, reflects a seasonally adjusted increase of 2,5% compared with the previous three months

This reflects an increase of 1,5% compared with the period July to September 1985.

Central Statistical Service figures (calculated on the basis of 1980 equalling 100) show food (3,7), beverages (3,4), tobacco (9,9) and textiles (3,1), all moving upwards

The strongest performances came from leather and leather products (20,1), paper and paper products (20,7) and transport equipment, excluding motor vehicles, parts and accessories (23,3).

The expected retail trade sales of R3 212,5m for November 1986 show an increase of 15,3% compared with November 1985.

The upward trend in real retail trade sales (at constant 1980 prices) which started in May 1986, still continues.

Before this upward move, real retail trade sales were on the lowest level since the start of 1982.

Real retail trade sales for the most recent three months up to November 1986 show a seasonally adjusted increase of 2% compared with the previous three months.

Total wholesale trade sales, excluding diamonds, for August 1986 show an increase of 9,1% compared with August 1985.

Although real wholesale trade figures, excluding diamonds (at constant 1980 prices), for August 1986 were 6% lower than those for August 1985, real sales for the three months up to August 1986 show a seasonally adjusted increase of 1,4% compared with the previous three months.

One of the strongest sectors was machinery and equipment (mining industrial and agricultural) which rose to R1 031m compared with R884,9m for August 1985.

Other sectors exhibiting strong upward movement were foodstuffs, beverages and tobacco R899,2m (R756,1m), furniture and household requisites R188,3m (R155,5m), pharmaceutical and chemical products R468,1m (R367,7m) and construction and building materials R561,4m (R484,4m).

23/11/86 SUN TIMES (180)

Tongaat turns corner

By David Carte

TONGAAT management, under fire for complacency since the merger with Huletts, achieved partial vindication in the six months to September with earnings a share of 34,8c (1985 4,9c).

The improvement came mainly from the textile division where last year's large loss was replaced by a small profit. Surgery in the group, notably the closure of brickfields and the termination of the margarine and petfood divisions, also helped Aluminium and African Products improved

Altogether Tongaat laid off 8 000 workers in 1985, involving retrenchment costs. This year there will be a saving of many millions.

Drought still held Tongaat's canefields in its grip and the brick division, which used to make R30-million a year, appears to be chugging along at about R6-million a year.

With this year's sugar profits virtually in the bag, the group is confident about its forecast of 75c a share earnings for the year That would give a taxed profit of R55,1-million — still a low (7,3%) return on shareholders' funds of R756-million

A spokesman says a 14% return is possible in good times and was achieved by the old Tongaat group. This implies a taxed profit of R106-million — double this year's target

So upward potential in earnings and in the share price remains considerable.

Tongaat has not attained its post-merger earnings, hence accusations of the sloth that comes with size.

The world sugar price has been weak There has been drought. The brick market has been slack for years. To this extent, management is blameless.

The industry does not talk about sanctions, but they are a threat. Apparently the source of sugar can be identified. The industry is confident, however, that there will be buyers at discounts It can afford to discount heavily because it is a low-cost producer.

There have been disasters outside sugar and bricks Textiles became a slaughterhouse last year when denim demand died. There were disappointments in margarine, pet and breakfast foods

Financial director Ted Garner agrees that gearing, which took a terrible toll when interest rates went to 25%, is high Total debt is unchanged at nearly R500-million. It might have fallen, but Tongaat bought out the minority in aluminium for R23-million

At 800c, the share price is 10,7 times forecast earnings. Because of gearing, cover will probably move up to 2,5, making the total dividend for the year 30c This puts the share on a prospective yield of 3,7%, making it well worth holding for the upside.

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Campaign to promote manufacture of import substitutes

25/11/86 STAR

Local goods get boost

180

By Duncan Guy

Whisky poured into South Africa last year from other countries — worth R103,7 million, no less — according to the Department of Trade and Industry.

In a campaign to promote local manufacture of import substitutes, the department, along with the Industrial Development Corporation and the Board of Trade and Industry, disclosed that the only other imports in 1985 which cost more than whisky were:

- Automatic digital data processing machines
- Parts of electrical line telephone/telegraphic apparatus
- Steam and vapour power units, excluding boilers
- Aluminium oxide/hydroxide.
- Aircraft parts.
- Unassembled vehicles.
- Electrical instruments
- Printed matter.
- Wheat.

They labelled the potential value of manufacturing import substitutes at R4 000 million

Research by the three bodies into the next step, known as "Manufacture South African", is still under way.

Manufacturers told The Star that, although a low rand made imports expensive and sanctions were looming, the worth of diversification of manufacturing depended on demand and economic viability

According to a computer distributor, commodities listed by the campaign as automatic digital processing machines — R741,3 million of which were imported last year — included a wide range of specialised goods

Printed matter in 1985 cost R108,4 million — but much of it is regarded as being South Africa's fractional consumption of the world's publishing market.

Local printers have, however, found themselves faced with expensive locally-produced paper of limited variety

Said Mr Hubert Elffers, president of the South African Printing and Allied Industries Federation "We simply have to adopt an aggressive marketing policy and provide the country's requirements as best we can."

Local cotton production is expected to meet the country's demands next year because more farmers have "cottoned on" to producing the crop which is relatively resistant to drought.

Some R61,7 million worth of cotton was imported last year.

Wheat Board general manager Mr D van Aarde said next year's yield was expected to be more than 2 million tons Only a fraction of the R107,9 million's worth imported last year would be bought from outside

A Small Business Development Corporation spokesman said the SBDC was publishing a booklet to assist small businessmen to identify import replacement opportunities.

T7283/e LS-FCB

Manufacturers show a steady rise in output

BUSDAY 26/11/96 (180)

GERALD REILLY

THE level of economic activity in the manufacturing sector continues to rise, says Central Statistical Services (CSS).

Volkskas chief economist At Engelbrecht said this was a healthy sign indicating a response to the stimulatory steps taken recently."

The physical volume of production for the three months to August showed a seasonally adjusted increase of 1,7%, compared with the previous three months, according to CSS figures.

Substantial increases were recorded in the clothing industry, 6,7%; "other" chemical products, 16,6% and "other" industries 8,1%. The value of sales for August was 13% up on August last year.

CSS says relatively sharp increases occurred in the textile, 27,8%, leather 29,9%, furniture 35,9%; paper 30,3%; rubber 41,5% and glass industries 39,9%.

In the June-August period "actual" sales totalled R21,716bn, 15,2% up on the same period last year. Seasonally adjusted the increase was 2,7%.

Net profit of manufacturing firms for the quarter to June showed an increase of 18,3% compared with the year before, and an increase of 5,2% compared with the quarter ended March.

5.

6.

MISSION ARGUS 26/11/86

Mfesane living up to its name

By KAREN STANDER
Religion Reporter

A PRIEST ministering in the mid-1970s to a group of people relocated from white farms into the "bundu" realised that his message could not be effective while his flock had empty stomachs and no chance of finding work

The priest was the Rev Almero Cloete of the Ned Geref Kerk in Africa, the place Dimbaza in the Ciskei and the result Mfesane

Mfesane — the Xhosa word for compassion — now has 22 projects in the Transkei, Ciskei and the Eastern Cape From the beginning of next year it will extend its operations to the Western Cape

Mr Cloete is now managing director of the interdenominational organisation, which celebrates its 11th anniversary today It has an annual budget of R4,5-million, half of it self-generated, the remainder provided by individual contributions and sponsorships

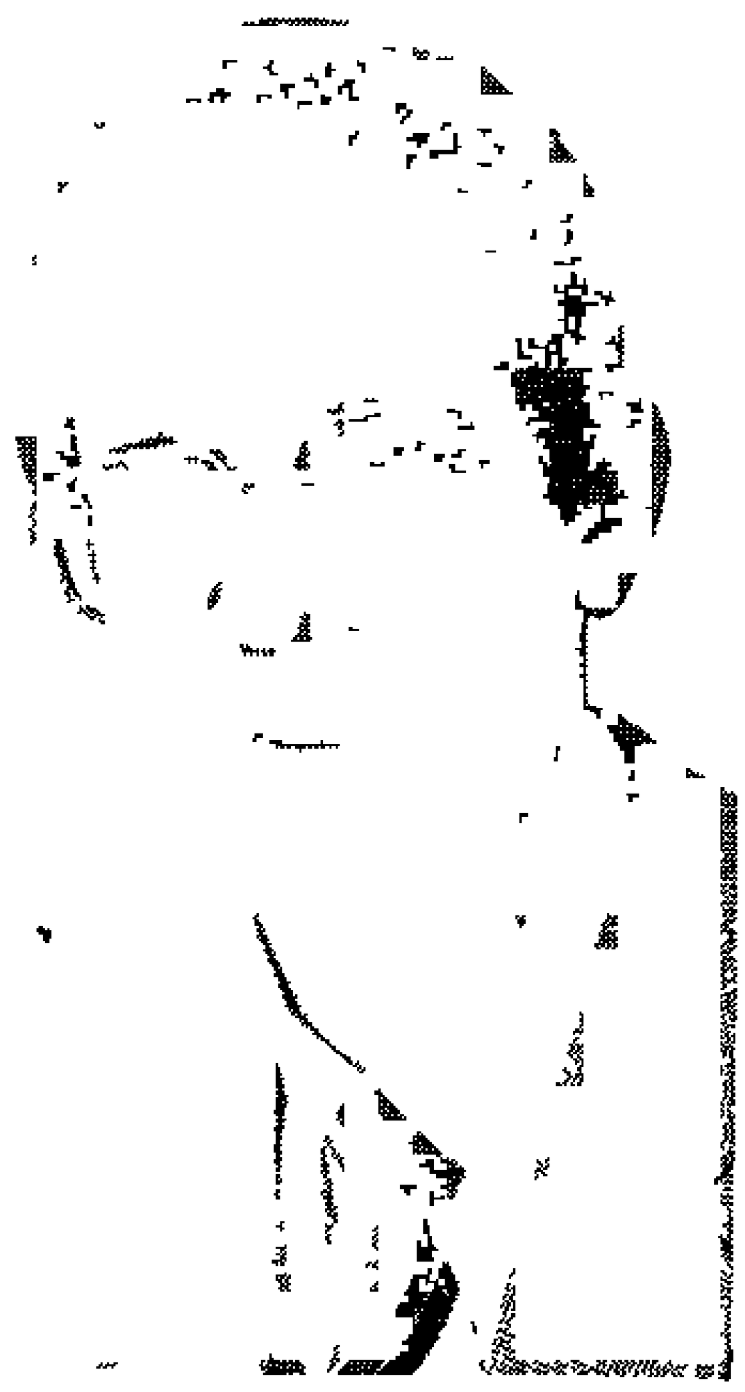
"Same sphere"

The Rev Johann Els of the Ned Geref Kerk in Africa has been appointed regional director for the Western Cape and will be assisted by former top black affairs official Mr Timo Bezuidenhoud

Mr Bezuidenhoud recently announced his early retirement and intention of operating within the same sphere but outside "the system" with Mfesane

Interviewed by telephone from the organisation's headquarters in King William's Town, Mr Els said it was premature to speculate on what Mr Bezuidenhoud's position would be with the organisation This would be decided early next year

Sketching the history of Mfesane, Mr Els said Mr Cloete started by opening a small factory to provide employment for former farmworkers



Rev Johann Els

Other organisations followed his lead and Dimbaza now boasted more than 100 factories.

Mfesane later created special schools and institutions for the handicapped, emphasising training and employment — for instance, building projects, printing works and pottery workshops for the deaf or blind

They had self-help agricultural training projects and — a new field for the organisation — preschool education where mothers and children are educated

The philosophy was one of working with the community and seeking guidance and advice on how to proceed The organisation did not move into an area without first being approached to help

"We are not interested in empire-building, we act as a catalyst for people to promote their own growth," Mr Els said

Mfesane had sold a number of projects to the workers once the projects were running smoothly

mfesane
CHRISTENSKAP IN AKSIE
CHRISTIANITY IN ACTION

Informal trade is also encouraged and promoted

In the past Mfesane was confined mainly to the rural areas but it had been recognised that a need existed in the cities

Initial plans for the Western Cape include an ecumenical community centre for meetings — to be used as a base for community development, a school for the deaf and a small preschool centre

"We hesitate to make promises unless we know we can fulfil them I believe that many people have been frustrated by organisations which have publicised great plans and then nothing happens," Mr Els said

Another facet of Mfesane's work is in providing cross-cultural contact

One community

"We see South Africa as one community The problems experienced by black people are not only their problems but the responsibility of the whole of Southern Africa

"If some suffer financially or materially then others who have all the financial and material resources also suffer because their neighbours are suffering

"So we will establish forums where organisations can come together and discuss problems in a relaxed way We don't use political platforms Others do, and it is necessary, but we prefer to approach the ordinary person"

28/11/86

FIN MAIL **MANUFACTURERS' CHERRY** 180

Finance Minister Barend du Plessis has extended the manufacturers' allowance by one year to December 31 1987. Referring to the delay in publication of the Margo Report and "uncertainty" for investors Du Plessis took care of an omission in the 1986 Income Tax Act.

This again illustrates the trend of making tax law by decree Just two weeks ago a tax consultant approached the authorities in Pretoria for a ruling on the allowance, available for new plant and machinery. None was then forthcoming, but Du Plessis has clarified the issue.

The allowance, already scaled down from previous years, is an accelerated tax benefit

New plant can be written off over five years If the cost is, say, R1m, without the allowance R200 000 would be written off each year, saving R500 000 tax at the 50% tax rate The allowance, however, allows half the investment, in this case R500 000, to be deducted from taxable income in the year plant is commissioned. This saves tax payments equal to R250 000 in the first year, rather than R100 000 without the allowance.

Tax law — any law, for that matter — does not recognise the phenomenon of inflation. So an accelerated allowance like this is worth a pretty penny on a net present value, or internal rate of return, basis.

3 new factories for Q'town?

28/11/86

Dispatch Reporter

QUEENSTOWN —Three companies from the Republic of China are almost sure to build factories in Queendustria, the town's industrial area — and seven more may possibly join them

Potential investors will visit the town during the first three months of next year, it was announced yesterday

The three companies most likely to go into business here are involved in the audio-electronic, electrical switchgear and sports equipment industries Each already has a market in South Africa for its imported goods

This development follows a two-week visit to the Republic of China by Mr Peter McEwen, the managing director of Jalc Finance, the town's industrial consultants, with two associates from Johannesburg, Mr Charl Roux and Mr Patrick Yen

During the visit, Mr McEwen addressed seminars in Taipei and Taichung, attended by 130 industrialists

He had meetings with the director-general of the Ministry of Economic Affairs, Mr C I Ni, and the secretary-general of the China External Trade Development Council, Mr M Chiang.

Mr Yen is still in the Republic of China following up further leads

Mr McEwen said yesterday he regarded the trip as successful

"I would not usually talk about companies coming here until contracts had been signed and all parties committed, but the indications here are remarkably strong

"With the value of Republic of China currency having more than tripled in three years against the rand, our rentals and costs of foodstuffs and labour seem dirt cheap to people over there

"And then, of course, investment incentive payments for businesses in development areas makes the prospect of becoming involved here even more attractive "

Sanctions against South Africa by non-communist countries did not create problems in the Republic of China, Mr McEwen said

But he added prospective investors were worried by the reluctance of the South African government to grant permanent resident status to businessmen from the Republic of China.

"On the advice of the ambassador, Mr Prins, I will be taking this matter up at the very highest level," he said

BUS DAY 3/12/86

(B30)

(180)

Days of cheap power are over

Energy losses run to R600m

MICK COLLINS

INDUSTRY'S energy costs will soar from their current cheap base in SA to come more in line with Western countries, economists predict.

Energy analysts at Wits University estimate that energy losses across the country cost about R600m a year.

Most at risk are the country's export potential, retail prices, profit margins and employment opportunities.

Senior partner at Contech, Arnold Nelson, says over the past few years the amount of energy consumed, as a percentage of manufacturing costs, was invariably low.

"This no longer applies. In the manufacturing sector it is often 5% of costs. In mining it can be 12% of working costs, while in the ferro-alloy industry it can be as high as 48% of total costs

"Clearly anything that can be saved here will be of immediate benefit."

Nelson urges a re-examination of processes and questioning of why they are done in a particular manner.

"The use of energy is no different to that of any other manufacturing function in this respect."

He says any energy audit can be expected to lead to reductions of 10% in total energy costs.

"Later some capital expenditure recommendations might well lead to a further 10%. As with productivity improvements, these reductions are permanent.

"In addition they are inflation proofed. The more resource cost increases, the more you save. Savings in energy costs are immediately reflected as increased profits."

Nelson says "In SA the first fact to be realised is that energy is no longer cheap. The first approach should be to conduct an investigation into what is happening to each resource. Loss areas must then be uncovered and each loss quantified so as to establish its relative cost."

FINMAIL 12/12/86 (180)

SOUTHERN AFRICA

De-industrialising

The southern African region is undergoing a process of relative and absolute de-industrialisation SA's neighbours no longer compete with the homeland decentralisation zones for industries, nor, as was the case 18 months ago, are they losing industries to them. However, with a few exceptions they are not succeeding in attracting new industries.

These were a few of the sobering observations that emerged from a workshop on industrialisation in southern Africa held in Swaziland during the first week of November, writes Alan Whiteside of Natal University's Economic Research Unit (ERU).

The workshop was organised by the ERU and jointly hosted by it and the Friedrich Ebert Stiftung of West Germany It was the culmination of a year's study on investment incentives and industrial policies throughout the region. The workshop was attended by delegates from most of the countries and it provided an opportunity for a frank exchange of views

The main point to emerge was that southern Africa is de-industrialising. There has been a net decrease in the level of industrial activity in SA and Mozambique The industrial sectors of Zimbabwe, Zambia and Malawi are relatively stagnant, Lesotho and Botswana are growing slowly, and Swaziland is the only country experiencing rapid growth in this sector. Not only is the region lagging behind the rest of the developing world in attracting foreign investment, but the consequence may be industrial backwardness for the forseeable future

All the Southern African Development Co-ordination Council (SADCC) countries want to attract industry and it will be news to South African businessmen to learn that virtually all have no prejudice against South African capital It is evident that as long as businessmen are prepared to obey local laws and accept local aspirations they will be as welcome as any foreign investor Most of the southern African countries also have attractive incentive packages and are actively trying to improve the business climate It may also come as a surprise to discover that in Botswana, Lesotho, Swaziland and Mozambique the business environment is considerably less restricted than it is in over-regulated SA, and there are not the political and other problems.

The question of sanctions busting was also discussed The Frontline states are not going to allow labelling, transiting or other activities that would not comply with international regulations The recent decision by Finnish dockworkers not to handle Swazi goods was cited as an example of how easily reputations may be tarnished Nonetheless, it was clear that there is considerable potential for investors In most cases a 25% value added in the country of origin, in this case a Frontline state, will mean that the company can legitimately retain access to old export markets, and in addition will have access to many new markets

It was concluded that Pretoria's intransigence and destabilisation in the region has resulted in the loss of potential development, and this will continue until there is an acceptable political settlement in SA Nonetheless, it should be recognised that times of change are also times of opportunity The South African businessman, with his knowledge of the African markets and business environment, would do well to look beyond the borders of SA for investment opportunities This is especially true if he is committed to the development of the region and has the foresight to look beyond apartheid

Manufacturers optimistic after livelier fourth quarter

DAVID FURLONGER
Industrial Editor

MANUFACTURERS are disappearing on their Christmas holidays more optimistic than they have been for years.

Real activity in the manufacturing sector has improved in the fourth quarter of this year, compared with the corresponding 1985 quarter, and businessmen believe even better things are in store early next year.

These are the findings of the latest manufacturing survey by Stellenbosch University's Bureau for Economic Research (BER).

Most manufacturers believe business conditions in the first quarter of next year will be better than they were early in 1986.

The survey indicates that businessmen, while not actually predicting an industrial boom, are more optimistic, year-on-year, than they have been since the heady days of 1981.

"Many positive factors have emerged to ensure that, in the short-term at least, livelier activities will continue," says the BER.

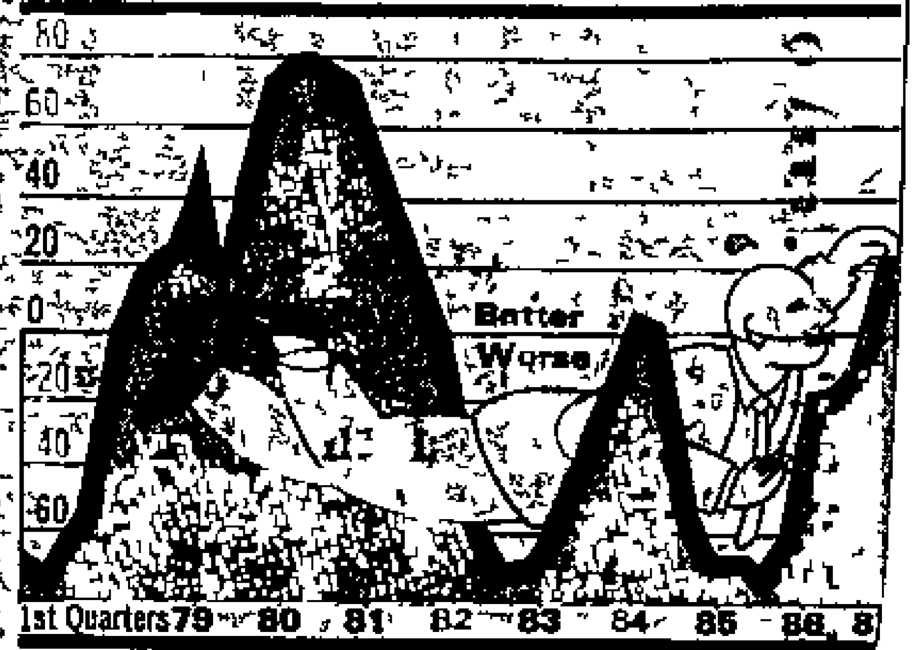
Although improved conditions have not been shared by all sectors of industry in the past three months, "increased real activity levels were recorded in almost every manufacturing sector".

The only sector to show no real improvement was fabricated metal products, while non-metallic mineral products and transport equipment enjoyed only fractional progress.

Only in fabricated metal products and electrical machinery do businessmen expect no improvements in the first quarter of 1987.

With the upturn, says BER, some manufacturers are encountering problems in meeting delivery dates for new orders.

MANUFACTURING BUSINESS CONDITIONS Based on manufacturers response to question Are business conditions better/worse than a year ago?



Flood of new orders extend manufacturers

SMM 19/2/86 180

CAPE TOWN — An upturn in the manufacturing sector has already extended some industries in the sector to full capacity and led to difficulties in meeting delivery dates, according to a manufacturing survey compiled by the Bureau for Economic Research at Stellenbosch University

The survey also notes that most industry spokemen expect a further quickening in business during the first quarter of next year

"Some sectors have already experienced problems in meeting delivery dates for new orders," says the report, "and more than 50 percent of footwear manufacturers who participated in the survey reported that no higher level of production can be maintained without additions to existing buildings and machinery."

Capacity problems have also surfaced in the textile, furniture and paper and paper product sectors

The only sector where no sign of an improvement in real activities is evident is fabricated metal products, while the non-metallic mineral products and transport equipment sectors managed to record slight improvements, says the Bureau — Sapa.

A shopping 'explosion' forecast

160 BUS DAY 22/12/86

DAVID FURLONGER
Industrial Editor

THE furniture and consumer durables industries are on the verge of a demand "explosion", says Credit Guarantee Corporation

A study of the two industries by the specialist credit insurer says they will benefit sharply from urbanisation and increased consumer confidence, but warns that there could be serious supply shortages as manufacturers lack capacity to cope with demand

Credit Guarantee says there has been an upturn in demand since August last year, albeit off a small base. Retailers are enjoying a 30%-40% improvement on last year's sales and total industry turnover this year is expected to equal 1984 in real terms

The revival is attributed to lower HP terms, falling interest rates, and buying ahead of expected inflation-led price rises. Although most growth is in the white market, the black market is not as bad as might be expected

But the study warns "In an industry that is becoming increasingly capital-intensive and where competition is intense, the effect of high inflation on input costs and profit margins is reducing the capacity for expansion There are already supply shortages and this could have serious consequences for the long-term outlook for the industry

"Most sources agree that — given a relatively stable political environment — State spending on black housing, electrification of the townships, and accelerating urbanisation of the black population will result in an explosion of demand that will be a major impetus for the industry's growth"

BER's path to building business confidence

24/12/88 32

Spark

(180)

CAPE TOWN — A political solution acceptable to the majority of South Africans as well as the Western world is a prerequisite for business confidence and a sustainable economic recovery

This view is expressed in the latest quarterly survey of the manufacturing industry by the Bureau for Economic Research (BER) at Stellenbosch University

The survey warns of the danger — now a probability — that part of South African business may consider itself pushed into a "retreat economy".

"If this prevails, the present economic improvements will be very shortlived and the economy will experience a continued deterioration over the longer term

ESSENTIAL

"Better co-operation and understanding between South Africa and the rest of the world should still remain an essential aim, as is the active circumvention of punitive measures imposed by a persecuting world," the report says.

The South African economy had entered an upswing phase of the business cycle. This upswing is firmly manifested in the improved level of real activities in the manufacturing sector.

"It would, however, be over-optimistic to suggest that it represents a return to vigorous activity," says the survey

Apart from a structural slowdown in the growth rate of the economy, there are two major impediments retarding the rate of progress - lack of confidence and rising prices, says the BER

Although rising prices have received attention in the private and public sector, the need to act against the inflation threat is "of utter importance"

The low level of confidence in the economy is well-known, according to the survey

CONFIDENCE

"Emphasising this lack of confidence does not mean, however, that when confidence is restored all other shortcomings like shortages of skilled labour, low productivity, high inflation, scarcity in high technology industries and others will vanish"

But confidence remains the major issue and the quest to restore it inevitably draws attention to the political scene

Thus "A political solution which is acceptable to the majority of all South Africans as well as the rest of the Western world is a prerequisite for a sustainable economic recovery." — Sapa.

Lower tax bills bring relief to struggling SA manufacturers

BUSDAY 30/12/86 (180)

MANUFACTURING companies fighting to maintain their profitability this year were given some relief through low tax bills.

Analysis of profit appropriation ratios for listed manufacturing companies shows an average tax rate of 23,8%.

Dividends accounted for 19,1% of pre-tax earnings while 57,1% of profits were ploughed back into the companies in the form of retained earnings.

These figures are based on a study of 54 listed manufacturing firms by Pretoria University's Bureau for Financial Analysis.

A breakdown of these figures reflects a wide variety of tax rates between the sectors.

The highest taxes were paid by the paper, printing and publishing sector (40,3% of their profits) and the lowest by the food, beverages and tobacco sector (20.1%).

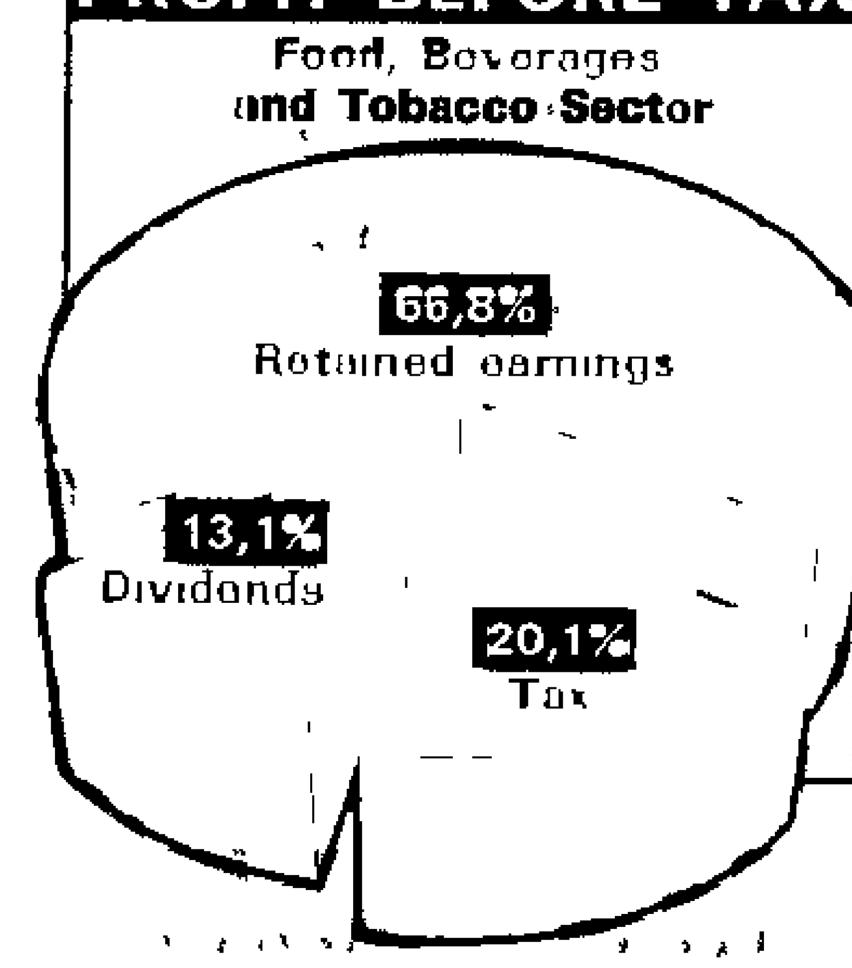
The disparity in tax rates can be attributed to three main factors:

- Certain companies can use loss-making subsidiaries for tax deduction purposes.
- Different companies receive different tax allowances.
- Some companies are able to deduct past losses from their current taxable income.

The sectoral breakdown for dividend payments and retained earnings shows that the food, beverages and tobacco sector also recorded the lowest dividend payout (13,1%) and the highest percentage of profits to retained earnings (66,8%).

The paper, printing and publishing sector retained the lowest proportion of profits, only 36,1%, while the highest rate of dividend payout occured in the Industrial conglomerates sector (33,5%).

PROFIT BEFORE TAX



Economics Reporter

MANUFACTURING – GENERAL

1987

JANUARY – DECEMBER

BUSINESSMAN OF THE WEEK

Top Cape economist joins SBDC

W/Argus 10/1/87

By DEREK TOMMEY

WOLFGANG Thomas, professor of economics at the University of Western Cape with a reputation for incisive thinking and thought-provoking views, will be heard less often in the academic world in the future — but probably more frequently in the business world

Since the beginning of this month he has been deputy general manager of the Small Business Development Corporation, Western Cape region

It is a job he welcomes as it means that instead of merely studying the problems of economic developments as he has for the past 20 years, he is now able to participate in this vital field

"Since I went to university economic development has interested me most I feel that South Africa is a developing country and the management of development is crucial in the present phase of the country's growth

Wolfgang Thomas . . ."we must talk to socialists"

"I am not a businessman in the narrow sense, producing or selling to make a profit But I see the managing of development and the managing of development stimulation in the same light as managing a business"

However, he does not intend to shed all links with the academic world "I think the three universities would like to be involved with the SBDC in development work and I would like to encourage this"

He said the SBDC's main priority was to create jobs "South Africa is a semi-developed country and faces enormous challenges in creating employment Developing small businesses are an important way of meeting them"

But he does not see the SBDC merely as a financial institution, doling out loans at lower rates of interest than the banks charge to small entrepreneurs — the generally accepted view of the organisation

"This is important activity and until now has demanded most of our attention But the key idea I want to get across is that the SBDC should be more than this — a catalyst, encouraging other organisations to work in this field."

He said the SBDC also wanted to extend its activities to areas outside the major centres

"We want to become active in most of the country towns, not necessarily with a local office, but with local entrepreneurial groups These are local committees where we bring together black, coloured and white business people and hopefully activate local people to help themselves"

The SBDC was also in the process of appointing what it calls black business promotion officers with the specific intention of stimulating business in the black areas

Here the SBDC had a lot to learn, he said

Professor Thomas said the SBDC was also looking at ways to give more support to the informal sector "We would like to support a broader range of small enterprises But it is not always easy to organise"

One difficulty facing the SBDC is that some people were unwilling to have anything to do with it as they regarded it both as a Government and a capitalist organisation

"I think we must start talking to the comrades about business developments We must be seen talking to black socialists about small business in a post-apartheid South Africa"

Manufacturing volumes on up

BUSDAY 15/1/87

DAVID FURLONGER 180

MANUFACTURING production volumes are maintaining their upward climb.

Preliminary figures for November show a 1,9% improvement on November 1985. Although nearly 3% down on October, overall production was at its second-highest monthly level in more than two years.

Production between September and November reflected a 4,7% seasonally adjusted increase over the previous three months, and a 3,7% increase over September-November 1985.

A breakdown of the figures — which are index-based with 1980 production being equal to 100 — appears to confirm an upturn in consumer confidence and spending.

Clothing production in November showed a 26-point leap compared with November 1985.

Food production was barely changed, but beverages were down 12 points and tobacco five points. The problems of the motor industry were reflected in a nine-point decline in production of motor vehicles, parts and accessories.

Bus, DAY Jan, 1987 (180)

Inward industrialisation has many pluses

HELENA PATTEN

LIMITED scope for export-led and import replacement growth is the key driving force behind adopting a policy of inward industrialisation, says Old Mutual Economic Research Unit's latest *Economic Monitor*.

It says: "Inward industrialisation is based upon supplying basic consumer products and low cost housing to the rapidly urbanising black population, and simultaneously stimulating employment in these industries."

Figures suggest that black urbanisation is likely to be a significant force for many years.

The potential advantages of the inward industrialisation policy include:

- Labour-intensive production processes and a low import content;
- Reduced vulnerability to sanctions and fluctuations in the world business cycle and commodity prices;
- A large contribution to socio-political stability;
- A boost in domestic confidence and incentives for domestic investment; and,
- A magnet for foreign capital.

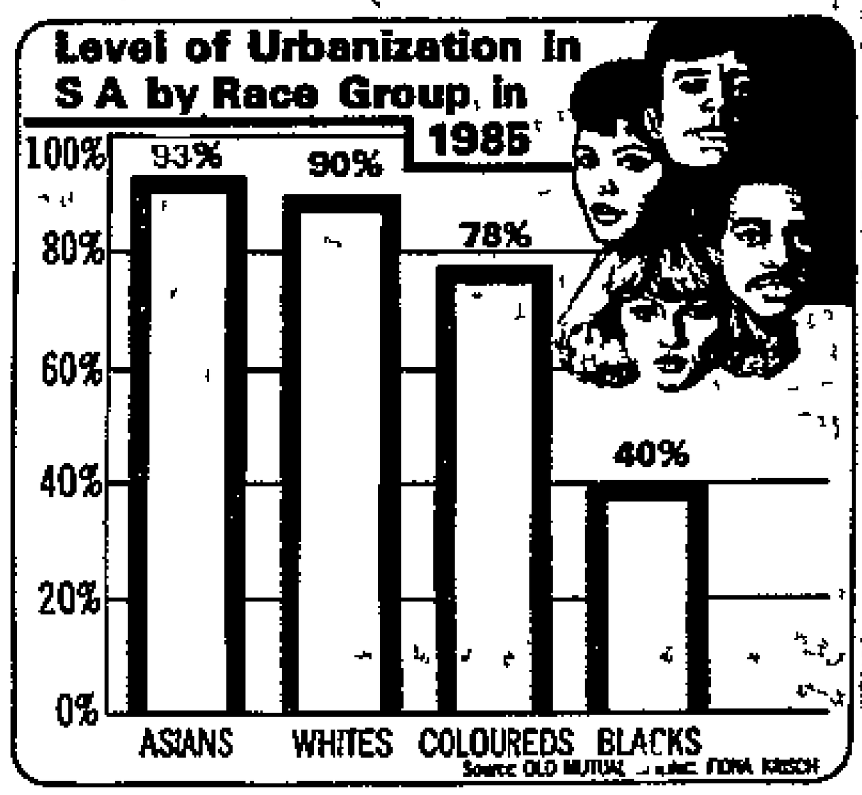
Economic Monitor says however, the mere fact that large numbers of black people are arriving in the cities is no guarantee that inward industrialisation will occur spontaneously.

Government spending on low cost housing and other job creation schemes would appear necessary to "kick-start" the process and non-inflationary means to finance the expenditure need to be found.

All unnecessary restrictions on economic activities of blacks should be removed. This may not prove easy in the light of government machinery which has been built up over the years to turn blacks away from cities.

Economic Monitor says: "A sustained restoration of reasonable stability and a return to 'normal' living conditions would seem to be a critical prerequsite for this strategy to succeed, although a lack of these conditions should not be a reason for not going ahead as far as possible."

Also, the existing economic base needs to be expanded to generate revenue to fund the increased demands on government services which will inevitably accompany continuing urbanisation.



SAMSTEL F|M 6|2|87

Recovery hopes (180)

Activities: *Engaged in the manufacture and retail distribution of furniture, steel wool and allied products*
Control: *Directors hold 30% of the equity*
Chairman: *H A McNeil, managing director· B M Goldberg*
Capital structure: *13m ords of 50c Market capitalisation R13,7m*
Share market: *Price 105c Yields. 5,3% on earnings, PE ratio, 19 12 month high, 160c, low, 89c Trading volume last quarter, 1m shares* F|M 6|2|87

FINANCIAL MAIL FEBRUARY 6 1987

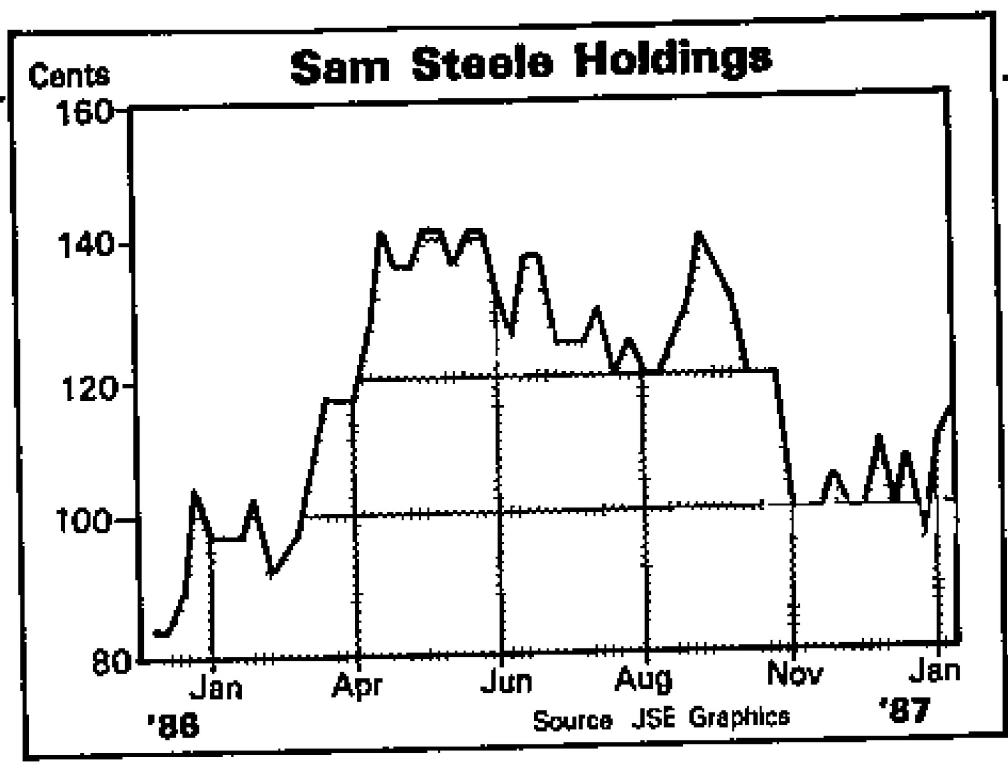
Financial. *Year to August, 31*

	'83	'84	'85	'86
Debt				
Short-term (Rm)	3,4	3,6	2,8	13,3
Long-term (Rm)	17 0	22,5	26,1	18,3
Debt equity ratio	1,11	1,40	1,38	1,31
Shareholders' interest	0,30	0,26	0,27	0,30
Int & leasing cover	1,9	1,6	1,3	1,1
Debt cover	0,23	0,16	0,07	0,06

Performance

	'83	'84	'85	'86
Return on cap (%)	12,6	11,5	10,0	6,1
Turnover (Rm)	54,8	54,1	54,2	57,3
Pre-int profit (Rm)	7,9	8,3	7,8	5,1
Pre-int margin (%)	14,3	15,3	14,4	8,1
Taxed profit (Rm)	2,6	2,4	1,3	0,7
Earnings (c)	23,3	21,3*	11,5	5,6
Dividends (c)	10,5	10,5	—	—
Net worth (c)	164	162*	168	181,9

* Readjusted for cap issue in '85



Samstel's poor performance last year showed little evidence of improvement in the furniture market However, management has noted a sharp upturn in trading subsequent to the report, and provided the trend continues, it will "consider" paying a dividend this year

It is hoped that two recent acquisitions, Totem Kitchens and Ideal Cupboards, will add significantly to group profits this year as rationalisation benefits begin flowing through In his review, chairman Hugh McNeil notes an increase in bad and doubtful debt and repossession losses, mainly in lower income groups A "substantial" R4m (R2,2m) provision was set aside last year

Conditions have improved in the manufacturing divisions, where the bedding facility, destroyed by fire in October 1985, has been refitted with the most modern plant and equipment All industrial divisions are working at full capacity, says McNeil

However, acquisitions were made despite the fact that key debt ratios have not improved from the previous year's unhealthy levels The debt mix shifted towards the short end as long-term debt dropped to R18,3m (R26,1m), but short-term borrowings soared to R13,3m (R2,8m) This was a temporary aberration, claims McNeil, who notes that long-term debt has again replaced short

Lower interest rates should help ease the group's cost of borrowings, which last year totalled R4,1m (R5,6m) and seriously eroded profits But while its debt.equity ratio remains at a punitively high 1,31, Samstel remains extremely vulnerable to interest rates The share must be considered a risky investment with uncertain attraction

Jane Arbous

Johan van Zyl quits FCI post

180

DAVID FURLONGER
Industrial Editor

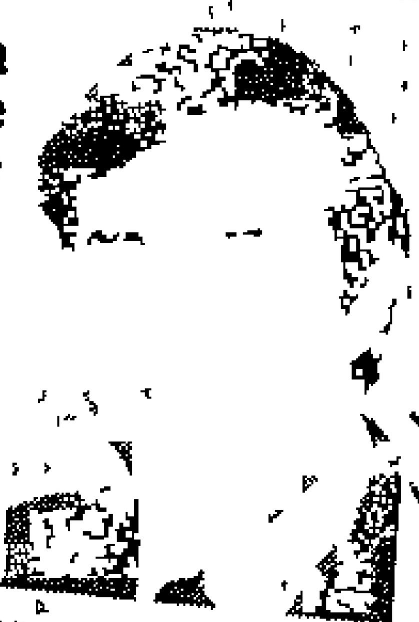
BD 4/3/87

JOHAN VAN ZYL has resigned as chief executive of the Federated Chamber of Industries (FCI), he confirmed last night.

Van Zyl, who has headed the chamber since 1979, is expected to step down after the FCI's executive meeting early in May.

His decision comes at a time when the FCI is undergoing major structural changes.

Officials say quite a number of staff are being laid off because of financial pressure. Several experts will be used in future on a retainer basis, rather than on the permanent staff.



● VAN ZYL

FCI president Hugo Snyckers said yesterday the chamber of industries movement was seeking a fitter and leaner framework.

"In view of the financial constraints, action has had to be taken to reduce the permanent staff and other costs at the national secretariat level."

Officials say Van Zyl decided some months ago to resign, but preferred to remain until most of the FCI's structural changes had been completed.

Colleagues say his resignation is not due to dissatisfaction, but that he feels it is time for a change.

Van Zyl says he has not yet decided what to do after May, but is looking at all possibilities. These include private industry, organised commerce, or even a return to semi-academic life.

Before moving to the FCI, he was professor of economics at Pretoria University.

In his time at the FCI, Van Zyl played a prominent role in attempts by the business community to edge government along the reform path.

CAPE TIMES 6/3/87 (180)

Manufacturers' profits up 31%

JOHANNESBURG. — Latest figures on the net profit of manufacturers — as reflected by a Central Statistical Services (CSS) report — for the three months to end-September 1986 show an increase of 31,0% compared with the corresponding quarter of 1985.

The CSS statistics showed an increase of 7,3% compared with the quarter ended June 1986.

The report says: "The textile, paper, machinery and basic metal industries were mainly responsible for the increase between the third quarter of 1985 and the third quarter of 1986, whereas textiles and industrial chemicals were the main contributors towards the increase between the second and third quarter of 1986

"Interest received and paid for the September quarter showed decreases of 22,3% and 14,5% respectively.

"The food and other chemical industries were the main contributors to the first-mentioned decrease, whereas the paper, chemicals and non-metallic mineral product industries were mainly responsible for the decrease in interest paid" — Sapa

Provinsiale
voedkundige
n inwonende

Assocom-FCI tie-up talks likely

DAVID FURLONGER
Industrial Editor

6/3/87

ASSOCOM and the Federated Chamber of Industries (FCI) are under pressure to re-open merger talks.

Officials of both organisations confirm talks are likely, following the resignation of FCI CE Johan van Zyl, disclosure of a report critical of management, and news that the FCI is laying off staff as an austerity measure.

Van Zyl has been a leading opponent of a merger, partly on the basis that he believes the FCI and Assocom have different roles to play.

A senior FCI source said yesterday: "The fact that he is leaving makes it easier to talk and therefore more likely."

Assocom is keen for talks to get under way as soon as possible. However, opponents of a merger say this is because the association wants effective control of the merged body, and could best achieve this with the FCI in its weakened state.

The FCI source said talks should wait until the immediate after-effects of the FCI's rationalisation wore off. He said many employees were "jittery" and angry" at the suddenness of the move, and early talks might be interpreted as a takeover bid by Assocom.

Announcement of the retrenchments and Van Zyl's resignation come days after the FCI's management board was presented with a report on the chamber of industries movement by management consultancy Pim Goldby.

One source said the report was damning of the movement's leadership. Van Zyl — who said his resignation was not linked to latest developments — said the report was "critical but not damning".

The last time Assocom and FCI seriously considered a merger was in 1982.

~~Miscellaneous~~

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Effective management needed

FCI, chamber movement under fire — report

cm Times 13/3/87

180

From DAVID FURLONGER

JOHANNESBURG — The Federated Chamber of Industries (FCI) and chamber of industries movement is losing credibility among leading businessmen

It lacks leadership and effective management, is no longer certain of its role, and is in danger of attempted manipulation

These are the findings of a confidential report being studied by the FCI's management board The report, by management consultancy Pim Goldby, was commissioned by the FCI late last year

Context

FCI officials denied yesterday the report was damaging and said its findings "should not be taken out of context"

According to Goldby, the chamber movement has problems on two fronts — credibility and financial viability

The report says the chamber of industries movement no longer has a clear definition of what it represents Objectives are open to interpretation and reflect lack of unity There is no cohesive image and a growing disillusionment among members

It says both the FCI and movement as a whole have lost credibility with many of the country's most influential business leaders

The Goldby report says the chamber of industries structure no longer serves the interests of the movement It warns that interests "close to home" — at FCI level — are allowed to overshadow those of the movement

It says there is need for strong leadership in a changing South Africa and that the movement requires "more effective management"

THE FCI has already announced it is cutting staff in order to save costs The Goldby report says the financial position of the movement generally is poor and worsening

Membership is decreasing and there is little incentive for chambers with income outside subscriptions to increase their own membership The movement must also find alternative income to make up for that lost when the Corporate Forum — a group of more than 50 major industrial enterprises — withdrew last year

A leading industrialist said last night the report reflected the view of many businessmen that the FCI was not consulting its membership about many of its decisions, particularly its outspoken role in pressuring the government to speed up the reform process

Concern

He said "While many of us have no argument with the political stance the FCI has taken, too often it is done without proper consultation There has been concern with the way it has presented its case to government It was not done in a particularly diplomatic manner "

FCI management board chairman Norman Duncan said a decision on the findings would be taken before the next executive meeting in May He added "We are considering it, but at this stage the views expressed are merely those of Pim Goldby "

FCI president Hugo Snyckers said "It is important the report should not be taken out of context We asked Pim Goldby to tell us what was wrong with the movement, not what was right When you ask for something like that, of course it is going to be full of criticism."

Industry in

Africa

th Africa

Report shows 'frustrations'

16/3/87 (180)

DAVID FURLONGER
Industrial Editor

B/Day

A REPORT criticising the Federated Chamber of Industries (FCI) and chamber of industries movement for poor management and loss of credibility has prompted differing reactions from industry.

Businessmen say the report, commissioned by the FCI last year and now being studied by its management board, reflects the frustrations of many of the movement's members.

However, while some believe the report sounds the death-knell for the FCI as a separate entity, others believe it must recover.

Prepared by management consultancy Pim Goldby, the report says the FCI and chamber movement face two major challenges — loss of credibility and lack of money.

It says the movement has effectively lost its way. It lacks good management, suffers from lack of unity and growing disillusionment among members, and is in danger of manipulation.

It has also lost credibility among busi-

● To Page 2

B/Day 16/3/87 (180)

Mixed reaction to report

ness leaders: an opinion apparently mirrored in the decision of the Corporate Forum — a group of more than 50 major business enterprises — to leave the movement.

● From Page 1

The MD of one of the country's biggest industrial conglomerates — and a forum member — said at the weekend the FCI should open merger talks immediately with Assocom.

He said: "If the report is a fair reflection of the state of the movement, then it sounds pretty grim and you must wonder if it can recover. There are too many business groups in the economy, so perhaps now is the time for them to get together."

However, the chairman of another industrial group said a separate role for the FCI remained.

He said: "It must recover. Assocom is made up of shopkeepers and traders, and the FCI of manufacturers. They are different animals and it is silly to talk of there being no need for separate groups."

His view was echoed by the financial director of a third group: "If anything, you need more industry groupings, not less."

FCI management board chairman Norman Warner insists there is no question of the body giving up the ghost.

He said: "All this talk of a merger is nothing more than idle speculation."

● See Page 4

Manufacturing up after 18-month drop

(180)

Finance Editor

MANUFACTURING appears to be merging from the doldrums according to the monthly Volkskas Economic Spotlight. Third quarter output in 1986 was up 1,5% and probably up 4% in the last quarter after six quarters of production declines.

Overall the volume in 1986 was a modest 0,4% up — but in some sectors the rise was more pronounced This included paper-making and paper products, up 14,5%, glass and glass products up 7,8%, leather and leather products up 10%, basic metal and steel up 9,3%

Others showing a decline were transport (excluding vehicles and spares) down 24,4%, metal products down 8,3%, printing down 5,5 %, motor vehicles and spares down 5,6%

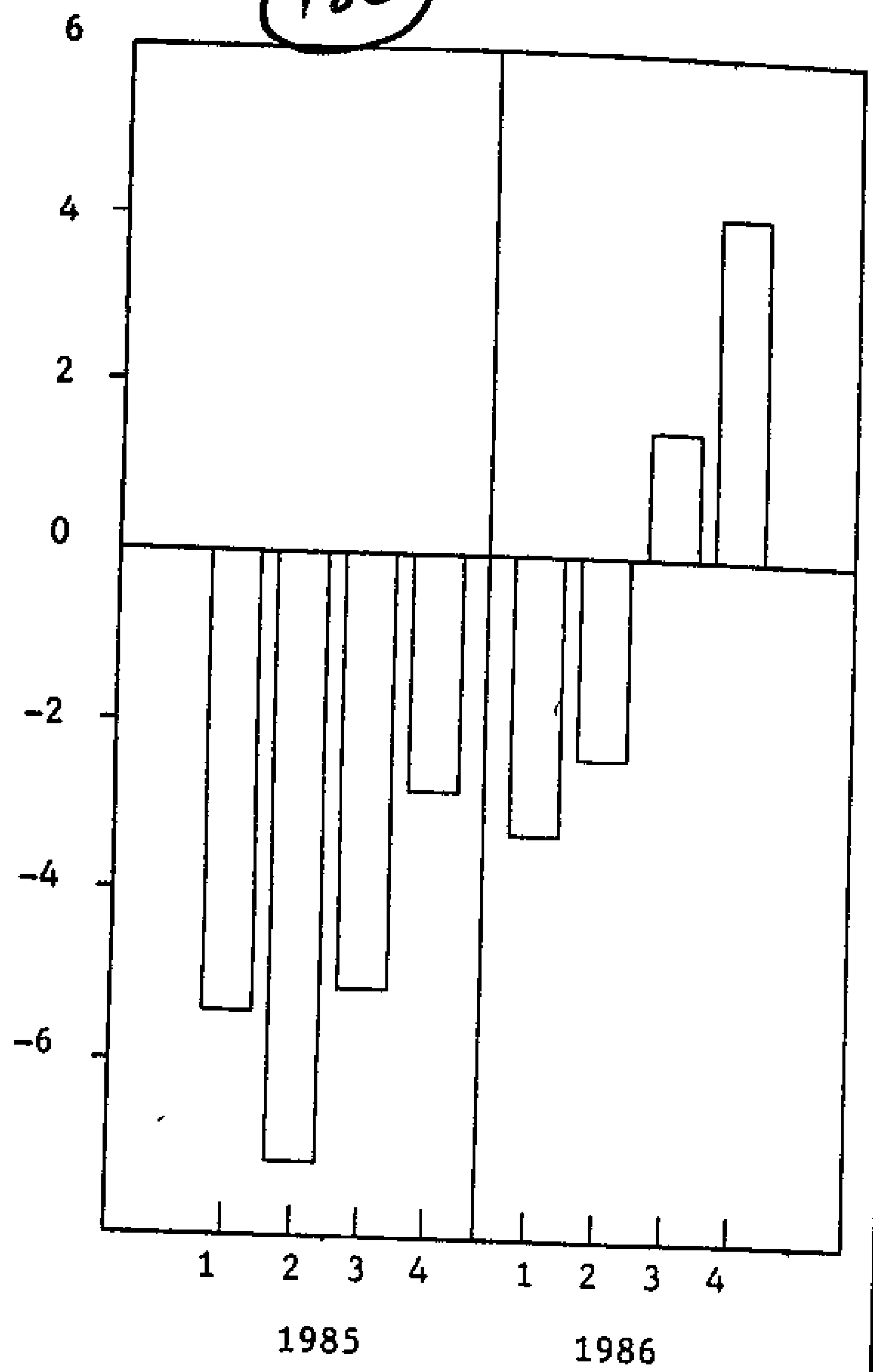
The positive growth industries reacted to the weaker rand (through stepped up exports or import substitution) which inflicted blows on industry where there were enormous price increases, together with poor investment demand and private consumption expenditure

Sharp cost increases (mainly wages and the number employed) affected manufacturing in the past few years but these slowed from 18% in 1985 to below 10% towards the end of last year

There has been a visible increase in productivity

This lower rate of increase in the operating cost per unit 'heralds well for a lower general rate of inflation'

But there was no sign of this, apparently because industry was recouping its losses in bad years by restoring their profit levels



The graphic shows the progress of increased volumes in the manufacturing industry starting with a turnround in mid-1986.

This adds up to an improvement in reported profits on a fairly widespread basis

The bulletin thinks that the developments are encouraging especially with its implications for a slower rate of inflation but warns that 'wrong policy decisions' could easily neutralise the underlying favourable inflation trends

The improvement in operating profits is equally important leading to improved cash flows (a factor in the present high bank liquidity and good performance of industrial shares on the JSE)

This should lead to higher investment either in terms of stocks or new equipment, to better savings levels and increased taxes which will stave off deficit financing by the Government

Economy can be saved by manufacture — Volkskas

180
31 per
18/3/87

THE manufacturing industry is the most important sector on which SA's future prosperity will be based, says Volkskas's latest *Economic Spotlight*.

Agriculture has limited growth potential because of the land constraint, the mining asset-base is fading away, and the services sector is dependent on the wealth created by the primary and secondary sectors, it says.

In contrast, the manufacturing sector's raw materials can be replenished, its fixed capital stock can be enlarged and renewed, and technological innovation encourages continual growth.

It says the problems associated with the economy have taken a toll on the industry, but improving tendencies have emerged since mid-1986.

The volume of factory production declined 5,1% in 1985 and continued to decline in the first half of 1986, although total factory production was about 1,5% higher in the third quarter of 1986 than a year before, and preliminary figures show an improvement of more than 4% for the last quarter.

The publication says the average cost increases for the industry have also been high, but the rate of increase in operating costs per unit of production have declined to 15% in 1986 from 18% in 1985. A contributing factor to the lower rate of increase in operating costs is a visible improvement in productivity.

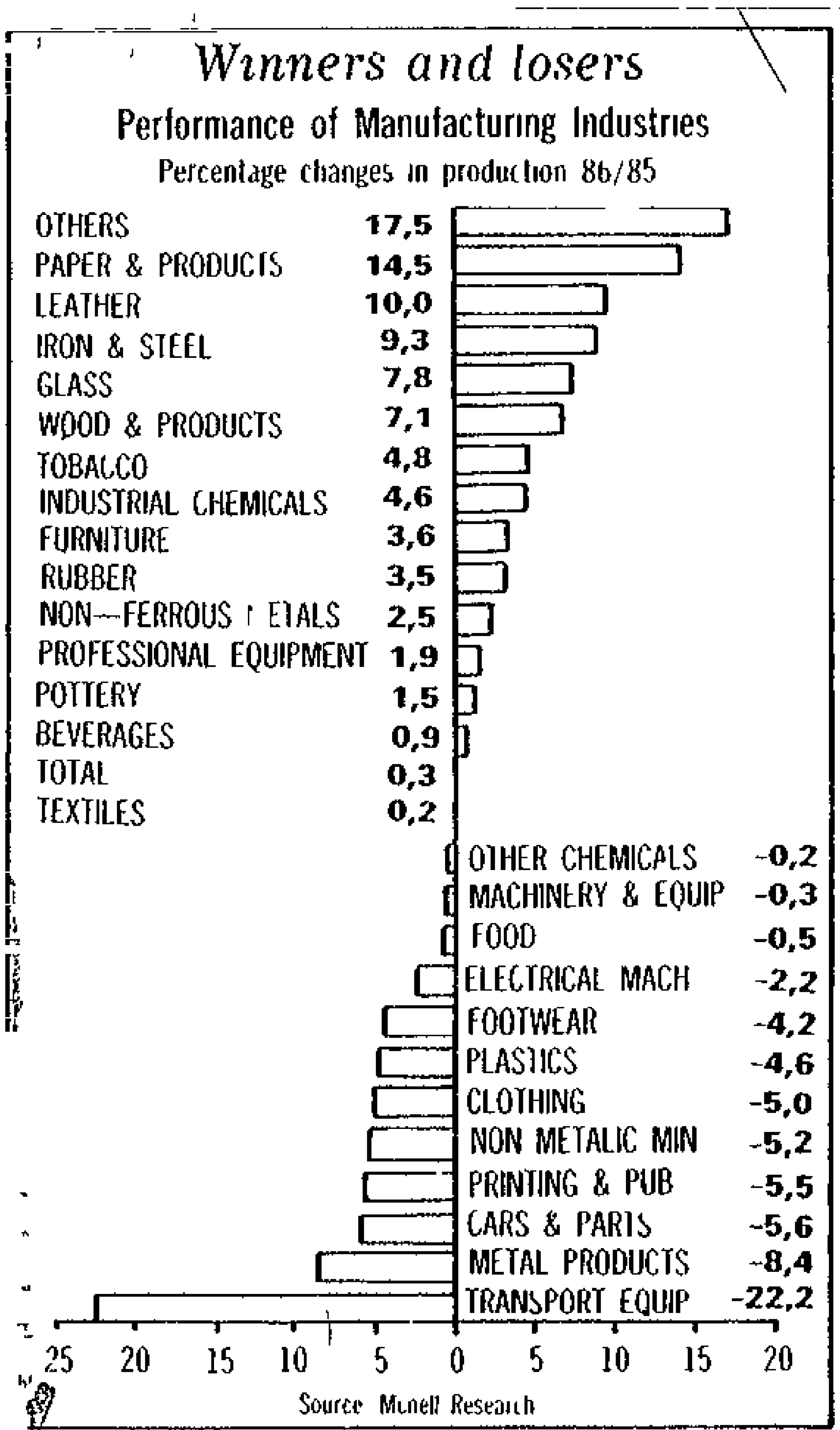
Operating profits are improving because production volumes have improved, capacity utilisation has risen slightly, the rate of increase in the unit cost of production has decelerated and the terms of trade have improved.

The slower rate of increase in operating costs means that a slower growth in the rate of inflation could be forecast with greater confidence than had been the case until recently.

Wrong policy decisions could easily neutralise the underlying favourable trends with regards to inflation. The growth momentum of recent months has to be maintained, Volkskas says.

29/3/87 STI (180)

Mostly losers, but some manufacturing winners



By Ian Smith

IN spite of manufacturing's poor performance last year the sector did produce some winners.

Total manufacturing production increased in the past year by a mere 0,3% — well below the general real economic growth rate of 0,5%

Concentrated

But the highly diverse "others" sector, from jewellery through games to educational tools, increased output by 17,5%, according to a survey by Menell Research's Gad Ariovich The paper and products sector increased production by 14,5%, leather output was up 10% and even the supposedly depressed iron and steel sector climbed 9,3%

Disturbingly, most of the gains are in industries which are characterised by a high degree of concentration The extraordinary performance of the paper industry contrasts strongly with the poor shape of the printing and publishing industry, where last year's performance ran at about 5,5% below 1985 levels, says Dr Ariovich

Admittedly, the paper and paper products sector was helped by the low rand, which increased the value of exports and reduced competition from imports But many publishers complain about the monopolistic conditions in the industry where Sappi and Mondi virtually dictate prices

The glass sector, dominated by PG, increased output by 7,8% and the wood sector, where HLH is the leader, increased production by 7,1%

Among the losing industries are footwear (down 4,2%), clothing (down 5%) and food where output fell by 0,5%

Necessities

Dr Ariovich says economic theory has it that non-durable industries should fare relatively well in recession because so many of their products are necessities

He believes the recession of the past two years was characterised by deep erosion of the buying power of all South Africans, but blacks in particular "The diminishing income of many South Africans resulted in lower demand even for basic products, such as food, clothing and shoes"

Upswing

Cars and parts with an output cut of 5,6% figured prominently among the losers Dr Ariovich says that although the upswing in the business cycle might alleviate some financial pressure on car manufacturers it cannot solve long-term problems facing the industry

The non-metallic mineral sector, which showed a loss of 5,2%, reflects the bleeding of the construction industry The biggest loser, transport equipment, registered an output fall of 22,2%, reflecting the lack of investment by the Government and parastatal bodies

F/M 3/4/87

ASSOCOM-FCI MERGER

Leading from behind

Moves towards a merger of SA's two major employer bodies, Assocom and the FCI, have been put on hold — but two powerful affiliate bodies, the Johannesburg Chamber of Commerce (JCC) and the Transvaal Chamber of Industries (TCI), are becoming more outspoken in their demands for change.

Last week, outgoing JCC president Pat Corbin told businessmen that the JCC was prepared to pool its assets (estimated at about R5m) with the TCI to form a common Witwatersrand Chamber of Commerce and Industry, even if this meant going over the heads of the smaller Reef chambers.

The JCC owns the building it occupies, while the TCI has a short-term lease with Allied Building Society, so the TCI would be more secure in the chamber of commerce offices. JCC members overwhelmingly support the move and so has its council

Incoming JCC president Aubrey Pitt hopes the rationalisation will be even wider. "We're talking to the Soweto Chamber, the coloured chamber and we hope for greater co-operation with the Johannesburg Sakekamer," he says

Acting TCI president Hennie Viljoen is more cautious "We are exploring every avenue of co-operation and I expect to see joint TCI-JCC committees in future. But there's no immediate prospect of a merger"

Indeed, Assocom president Harold Groom's much-publicised meeting last week with his FCI counterpart Hugo Snyckers was apparently not even "a talk about talks"

Snyckers says even after the FCI's rationalisation moves, it would continue providing much the same service "We will streamline our services and carry them out more cost-effectively"

But with half the head office staff retrenched and some services disappearing, this might not be too easy. The FCI is closing its parliamentary office, a well-supported lobbying and information centre

Senior Assocom sources refuse to speculate publicly about the prospects for a merger and believe that any more discussion could be counter-productive. National executives of both bodies will hold their mid-year meetings in May and the issue has been put aside until then.

Assocom seems to be in no hurry to follow the JCC's lead and wants the FCI to make the first moves. Senior sources say ongoing JCC-TCI talks "will have no bearing" on possible merger developments in the parent bodies

Corbin claims the FCI is out of step with its members' views "FCI corporate council members I have canvassed are overwhelmingly in favour of merger," he says. "A chamber has no authority unless it represents its members" ■

Black entrepreneurs knocking on business's door

Brighter side to foreign pullouts

Black businessmen have their foot in the entrepreneurial door . . . and disinvestment could see them make further gains. ANDREW DONALDSON spoke to Nthato Motlana.

SOUTH AFRICA'S black business community also stands to gain from the spate of management buy-outs of local subsidiaries of disinvesting foreign firms

Soweto civic leader Dr Nthato Motlana stressed in an interview with Top of the Times that he not only believes blacks now have a foot in the door of the business world — and big business at that — but they are on the verge of streaming into a market place previously considered wholly white territory.

In what is considered a major breakthrough in economic co-operation in South Africa, an all black-owned investment company has recently concluded a deal with one of the largest Coca-Cola franchisees in the country and now controls an East London bottling plant.

Nthato Motlana . . . "initiative for the small businessman".

The company is Kilimanjaro Investments (Pty) Ltd, a subsidiary of Black Equity Participation (BEP), formed in August last year which drew in Dr Motlana as a member in November

Motlana, the founder chairman of the Soweto Committee of Ten and a recent appointment to the Southern Life board of directors, now heads another BEP subsidiary, Get Ahead (Pty) Ltd.

While he declined to discuss any of his or BEP's future business plans this week for fear of placing "certain deals in jeopardy", he did expand on the BEP initiative

BEP was formed by three businessmen; each with varying backgrounds

The company's chairman is a former Urban Bantu Council member, Richard Maponya Its other partners are former Inkatha executive member, Gibson Thula, and a second Soweto MD, Dr Jackie Maphudi

Initial reports indicated that BEP had been formed with an aim of buying out companies that were pulling out of the country and this was confirmed by Maponya, who explained that one of its aims was to negotiate with companies planning to pull out but would not elaborate any further.

Motlana, who claims to be only a "peripheral member" and who entered the initiative "because I thought this is something that blacks could exploit", explained that BEP's functions would be far wider

"BEP is intended not only to focus on departing companies but on getting a piece of the action for black businessmen," he emphasized, adding that the majority of companies BEP had spoken to were South African companies "operating within South Africa" and not divesting companies

However, not all were happy with the company's formation. In January, the giant Congress of South African Trade Unions (Cosatu) condemned the BEP intentions, adding its "cloak and dagger manner" exposed the "selfish, individualistic attitudes of those involved".

"A buy-out plan does nothing to solve the vexing problems of the country," Cosatu maintained

Yet whatever the objections BEP has nevertheless scored a major success with its new bottling company

Kilimanjaro Investments last month concluded a deal with the Coca-Cola subsidiary, Suncrush Ltd, and National Beverage Services (Pty) Ltd in terms of which Suncrush's East London bottling plant was sold to a new company, Kilimanjaro Bottling (Pty) Ltd

Equity is divided thus: 49% Kilimanjaro Investments, 31% Suncrush and 20% National Beverage Services.

Kilimanjaro also netted the right to acquire share-holdings of both Suncrush and National Beverage Services and the new company entered a management contract which left Suncrush managing the plant for the next three years

Motlana, however, has maintained he was not involved in what he termed the "Coca-Cola thing" — his efforts would now be directed into Get Ahead

"We're a very much smaller thing than BEP," he said. "They're the big guys, trying to get into the action at that level. We look up to them — but only just from a lower level.

"Ours is an initiative for the smaller businessman and there's a lot more of us"

Motlana says Get Ahead will be generating exciting news "soon".

WEEKEND ARGUS, APRIL 25 1987 (180)

The deadly Industrial

HOW THE MEN ON THE INSIDE GO

THIS is Cape Town by night — a serene, calm view of the business heart of this vibrant city. But beneath it all lurks a shadowy world of industrial crime....

by MARK STANSFIELD
Weekend Argus Reporter

SEVEN workers employed by a major Peninsula manufacturing company were dismissed for dishonesty recently.

Three of those fired had been highly regarded by their employer In fact they had an untarnished combined service record of over 35 years with the company

But the proof of their dishonesty was irrefutable — it had been gathered over many weeks by an undercover agent who infiltrated the workers' ranks some time before the "bust"

■ He was known as Agent Green Eyes and he was the trump card held by management (determined to discover the source of their year-end profit losses) in a winner-takes-all match against their workers — who were equally determined to supplement their incomes by stealing.

AGENT Green Eyes is one of the many shadowy undercover agents who have infiltrated workers' ranks throughout South Africa recently.

They are employed to help curb dishonesty in the workplace and also increase the company's profits and, in some cases, to determine whether workers are "happy" at work, although "happy" in this particular context carries a somewhat sinister undertone with regard to the current political climate in South Africa.

In the incident reported above, Agent Green Eyes paid for his "sin" against the workers

■ He was identified as a super snitch before his contact had had time to warn him of the danger and Green Eyes almost paid with his life The incensed workers waylaid him in a basement and stabbed him countless times Until that moment Green Eyes was not aware that his "cover" had been "blown".

WEEKEND ARGUS SPECIAL REPORT

WHO are these undercover agents employed by most major South African companies, and is their "snitching" really a "sin" against the workers?

"It depends entirely on which side of the fence you stand on," said the director of an international security company with a batch of highly-skilled undercover agents ready for assignment to companies wanting "inside" information on their employees

"If an employee is honest he has nothing to fear The dishonest employees are those who shout 'snitch' and 'unfair' the loudest," he said.

"The agents can also play an important part in employee/employer relations.

"Undercover agents not only report on dishonesty — they also report on general working conditions, such as whether the canteen food was acceptable to workers

"Honest employees benefit when management takes note of general grievances and acts on them

"As far as theft and dishonesty go — once those who are decreasing the year-end profits are removed it leaves more money for increases

"Most companies estimate their profits in advance and use a percentage of this for workers' salary increases

"By stopping the pilfering, theft and general profit-eating practices among dishonest employees the agent is ensuring an increase for the honest worker," he said.

BUT Green Eyes told Weekend Argus he "wants out" He said he loathes what he is doing because those often fired through his information are poorly-paid breadwinners.

"I came to the conclusion that if you pay a man a decent wage he wouldn't have to steal to support himself and his family," he said, the scars of his recent encounter still visible

Green Eyes has a friend — a fellow agent — who suffers nightmares since he was shot and wounded weeks after exposing a theft racket at a city centre hotel.

Is the work dangerous?

Managing Director of Profitect (Pty) Ltd, Mr David Givati, said recent press reports of agents being murdered were "nonsense".

"Most workers are not thugs or gangsters They are ordinary people who would never kill someone they discovered was telling management about theft and other dishonest incidents within a company

"I have had agents disap-

pearing, but sooner or later they turn up to claim their salaries.

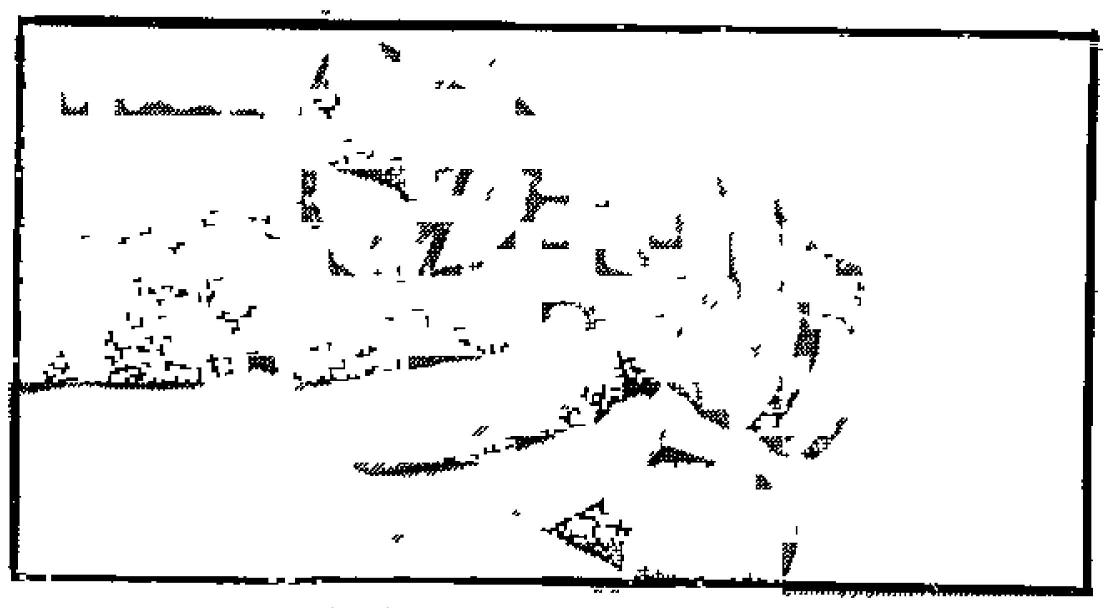
"To speculate that an agent has been murdered simply because he failed to pitch up for work is highly irresponsible

"Most undercover agents are intelligent, but because of the nature of the work they undertake they must blend in with those they infiltrate

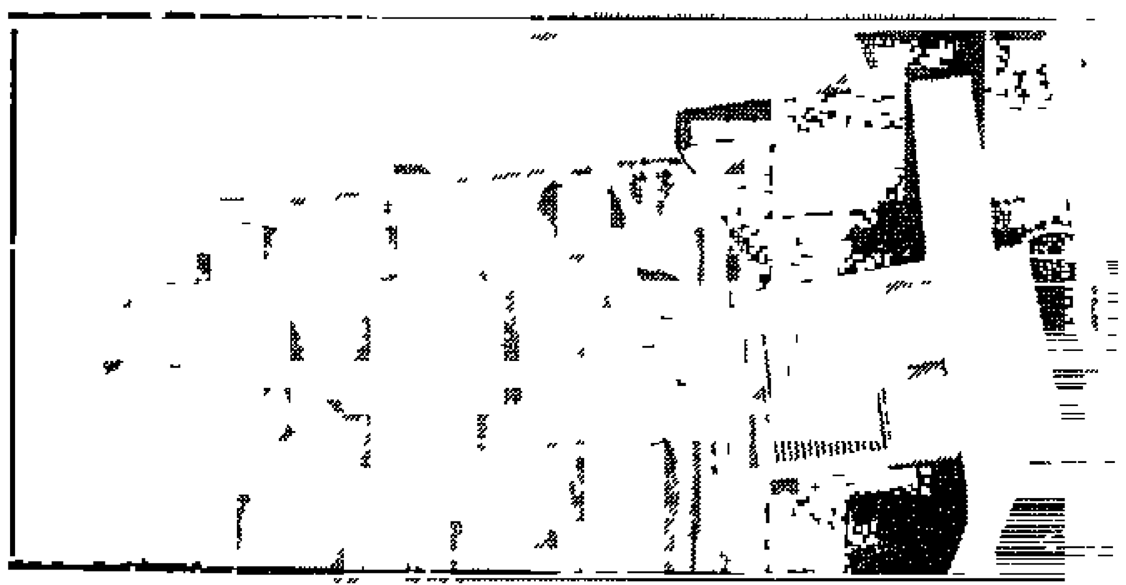
"You cannot employ someone who will stick out like a sore thumb.

"Most agents are by nature unreliable people," he said.

THE director of an international security company said two of his agents had been killed on assignment in the 11 years he had been engaged in their recruitment.



A pair of sophisticated German binoculars which double as a camera for long-distance surveillance...



A tape affixed to a fireplace in downtown Mowbray puts this industrial espionage contact on record.

AGENT X fitted in perfectly. He wore a [illegible] len cap wh[illegible] he lugg[illegible] the heavy boxes around and he cursed the "boss" who paid them so little [illegible] [illegible] face

His workmates accepted him a week after he [illegible] the company and began talking in confidence to him

After work, Agent X would sit at home and compile do[illegible] "wo[illegible]".

■ In real life Agent X was a third year university student [illegible] toward a better future.

His [illegible] "contact man" (the security company [illegible] who employed him) was to target three suspects within the company, make friends with them and then to expose any irregularities.

He began inviting the men for drinks after work [illegible] would listen carefully to their conversation and [illegible] them into the area he wanted more information on. [illegible] [illegible] watched their theft operation

The men were "selling" stock to a retail store [illegible] and doctoring the invoices to cover the loss.

All this information was carefully noted in a weekly report sent to the contact who filtered the relevant [illegible] back to the managing director of the company [illegible] when Agent X was "working".

Other agents were set up at the retail store and [illegible] to document the men unloading the [illegible] wares after work.

The "bust" came on a Thursday afternoon when [illegible]

No, not just a simple wine glass. There's a microphpone in the olive.

Cont.

"Those who undertake this type of work know the risks involved and in both cases these men exposed themselves as agents

"The work is dangero[illegible] only if the agent blows [illegible] own cover," he said.

Undercover agents, i[illegible] seems, are an asset or a l[illegible]

world of . . . espionage

TO WORK

ability — depending on the information gathered

One Peninsula undercover agent was almost murdered by the manager of a company because the agent discovered that the manager himself had his fingers in the till .

■ Security companies who recruit undercover agents are reluctant to reveal the names of the major South African companies who make use of agents to "spy" on their workers, but Weekend Argus managed to trace three national concerns who do use them

At their request, company names will not be mentioned because trade unions within the organisations are at present formulating documents which will highlight their abhorrence of the practice

One company said the agents had been so effective that stock loss — once a major headache costing the company millions of rand — had been cut to "about half a percent of turnover".

"They certainly help as far as stock losses go but are more effective as a means of gauging worker feelings.

"Company policy toward workers has been changed because of the information supplied by an agent

"In this respect they are in fact doing the workers a favour," one director said

Although all three admitted that the agents were in danger of being hurt if exposed, they said that only "top management" were aware of the identities of the agents

"We are never allowed to approach them directly for information which minimises the risk of exposure and only receive report-backs and confidential dossiers from the security company who recruited the agents," one company director said

A German-made fountain pen-cum-microphone When linked to a tape, the pen can pick up conversations from about three metres away.

... was sent back to the contact man

B Day 18/6/87

Extension of tax relief gets experts' nod

DAVID COHEN

(180)

THE extension of tax relief on manufacturing plant and buildings for yet another year to December 1988 was welcomed yesterday by tax experts and private commerce and industry — although not without reservations.

Reacting to Deputy Finance Minister Kent Durr's announcement on Tuesday, tax experts said the extension of the qualifying period on initial allowances was clearly an interim measure ahead of the Margo Commission report, and uncertainty had been lifted only temporarily.

Most experts doubted whether private capital expenditure would be stimulated by the extension and some claimed it would benefit companies at the expense of the individual.

Commissioner of Inland Revenue Clive Kingon said: "The effect will be to remove uncertainty so that people can make business decisions. It will have no material short-term effect on Revenue's coffers."

Although Kingon maintained the decision had been taken only "a couple of days ago", most tax experts were mystified the announcement had not been included in the June 3 Budget.

"It's an indication of indecisiveness ahead of Margo," said Kessel Feinstein's Ernest Mazansky.

Previously, both new and used manufacturing plant and machinery had to be brought into use before December 31, 1987, in order to qualify for the respective 50% and 25% initial allowances.

The announcement extended this time limit to December 31, 1988.

23/6/87 BDay (180)

DAVID FURLONGER
Industrial Editor

Gloomy prospects for manufacturers

DEMORALISED manufacturers may enjoy only limited further increases in demand for their products this year

Stellenbosch University's Bureau for Economic Research (BER) says manufacturers are dissatisfied with business conditions. Most believe inflation will not fall in the second half of 1987, that prime overdraft rates will increase and the rand-dollar exchange rate will be unchanged

"If these expectations were to be realised, they hold little promise of an improved financial situation of individuals and, thus, final demand," says BER.

It says that while the economy has picked up gradually since mid-1986, more vigorous growth is prevented by the weak demand for goods and services This is mainly the result of the financial position of consumers, and there is little chance of a significant drop in inflation to ease their plight.

The survey adds "Apart from a domestic demand which fails to display vigour, the economy (at least the private sector) still suffers from inadequacy of confidence in medium- to longer-term growth prospects. This stems mainly from domestic political uncertainty and the negative impact it has on overseas perceptions"

BER says, however, that manufacturing activity continues to improve The fourth quarter of 1986 and first quarter of 1987 showed 4,1% and 5,2% increases respectively on corresponding quarters of previous years. This trend has continued in the second quarter of this year and is expected to extend into the third quarter

29/6/87 BDay (180)

Manufacturers behind times

DAVID FURLONGER

MORE than half South Africa's manufacturing sectors are still producing less than they did seven years ago

However, nearly all are better off than they were last year

The latest manufacturing survey from Stellenbosch University's Bureau for Economic Research (BER) shows that of 19 manufacturing sectors, all but one produced more in the last three months than they did in the second quarter of 1986

Odd ones out are fabricated metal products, down 13% Otherwise, the major gains have been achieved by textile manufacturers, up 80%, footwear 73%, wood products 71%, printing and publishing 69% and beverages 63%

Although every sector expects production in the third quarter to be up on 1986, the improvement is off a low base. Only eight produced more in the first three months of 1987 than they did in the corresponding 1980 quarter

MANUFACTURING 180

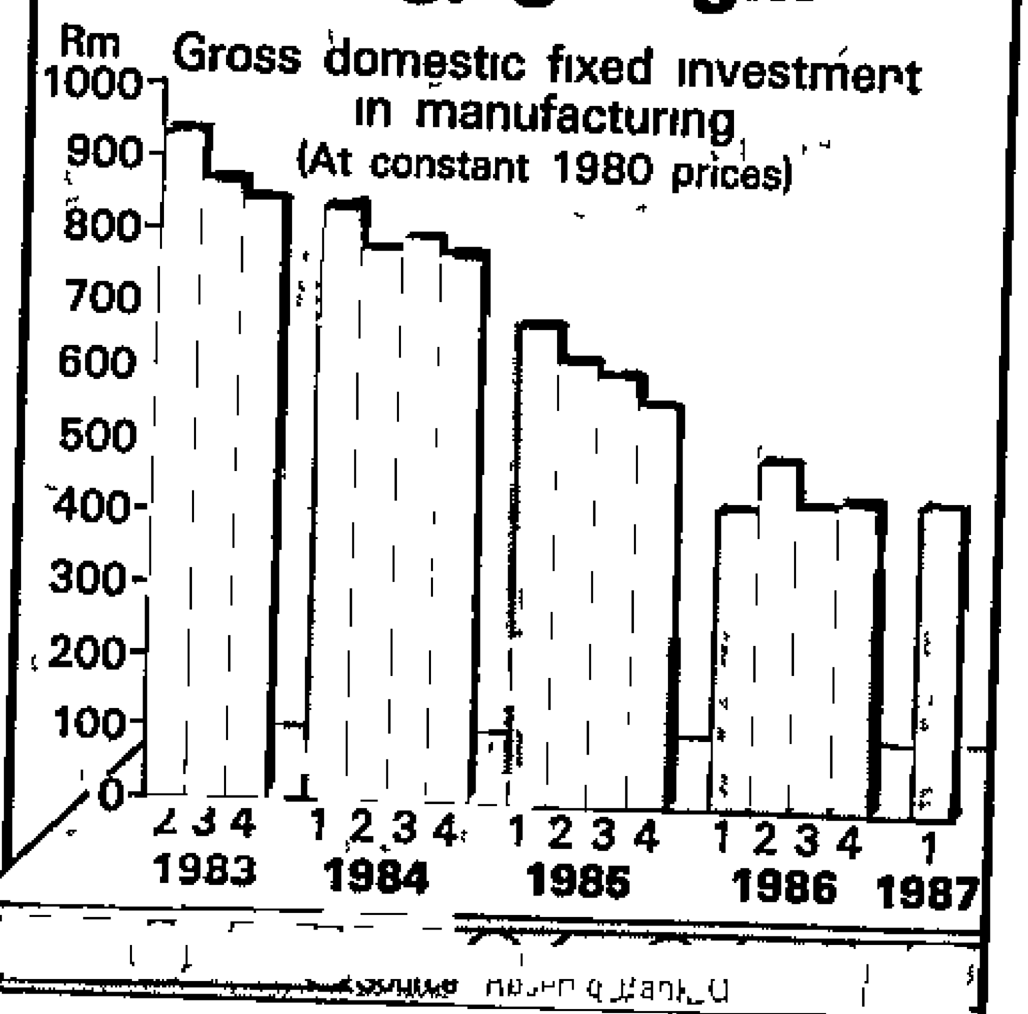
Consumer barriers

A **gloomy** picture emerges from the latest *Manufacturing Survey* of the Stellenbosch University Bureau for Economic Research (BER). Expectations include

- ☐ A significant drop in inflation is unlikely in the near future,
- ☐ The prime overdraft rate will increase towards the end of the year, and
- ☐ The dollar/rand exchange rate will remain unchanged.

This is according to some 1 000 manufacturers polled by BER, and points to little chance of an improvement in consumers' financial position While acknowledging the economy did pick up during the second half of 1986, BER says it has since "improved only gradually A major constraint ... is a weak, although slightly improving, demand for goods and services."

Going, going...



Consumer demand remained under pressure during 1986 Private consumption expenditure (PCE) rose "a meagre 0,3%" Clearly consumers' financial position remained tight, "mainly due to the high rate of inflation and high taxes In fact, real personal disposable income decreased by 4,1% in 1986."

This year, PCE has not improved satisfactorily "Tax concessions in the April mini-Budget did not sufficiently boost individuals' spending power. (They) were more or less neutralised by the phasing-in of further taxation on fringe benefits," says BER, believing that the financial position of the public will remain "rather weak."

The report says that though confidence levels have improved, "they are still far from satisfactory." And though activity is improving in many sectors of manufacturing, "little impact has yet been made on employment."

This is confirmed by the latest Reserve Bank *Quarterly Bulletin*: "The mild rise in demand for labour has so far failed to make a significant impression on the total number of unemployed "

It says increased demand for labour, also apparent from an increase in overtime, was broadly-based but modest by the standards of earlier upswings and did not extend to the trading sectors, electricity generation or the banking industry, for example.

Significantly, gross domestic fixed investment (GDFI) in manufacturing fell again in the first quarter The accompanying graph clearly shows the alarming, persistent drop in real GDFI for many years, from R935m in the second quarter of 1983 to a dismal R437m in the first quarter of 1987.

For the first three months of 1987, "Major cutbacks ... were effected by public corporations," says the Bank.

"In addition, there was a disappointing drop in outlays by private manufacturing industry " ■

Concession on raw materials

MICK COLLINS

GOVERNMENT'S concession on the payment of surcharges on imported raw materials used in manufacturing becomes effective from tomorrow

The move is seen as a bid to further stimulate the economy by reducing the cost of goods used in the manufacturing process The concession is applicable to goods entered for home consumption

Deputy Finance Minister Kent Durr said recently the exemption would reduce the cost of manufacture and he expected manufacturers to pass the benefits on to consumers

He said the concession would not affect the protection enjoyed by similar local raw materials as the imported goods would still be subject to the normal customs duty

Exemption applications must contain full details of the raw materials or intermediate products, and the goods produced from them, and should be addressed to The Secretary, Interdepartmental Committee, Private Bag X47, Pretoria, 0001.

Rival service announced

Cape Times 20/7/87

Storm breaks as FCI expels Tvl chamber

180

From DAVID FURLONGER

JOHANNESBURG. — Organized commerce and industry is bracing itself for head-on civil war, after the decision by the Federated Chamber of Industries (FCI) to expel its Transvaal chamber and set up a rival service.

The Transvaal Chamber of Industries (TCI) formally voted on Friday to merge with the Johannesburg Chamber of Commerce and form the Assocom-affiliated Witwatersrand Chamber of Commerce and Industry (WCCI).

On the same day, the FCI announced it would expel the TCI, move its own headquarters from Pretoria to Johannesburg, and create a new service for industry in the region.

Accusations and counter-accusations have flown thick and fast since the announcement.

The FCI said it was expelling the TCI for "failing to meet financial obligations". FCI president Hugo Snyckers said yesterday the TCI paid none of its R180 000 subscription last year and only R45 000 this year.

TCI officials responded by saying the FCI had made it impossible to meet these demands by affiliating members of the Corporate Forum — comprising about 50 of the country's biggest corporations — direct to the FCI. By doing this, it had robbed the TCI of many of its biggest subscribers.

It was learnt at the weekend, however, that the forum has given the FCI one year's notice of its intention to disaffiliate The decision will cost the FCI about R700 000 in subscriptions

TCI vice-president Johnny Frankel said the chamber had, in fact, met its financial obligations because the FCI budgeted for only R45 000 from the TCI last year. According to Snyckers, however, this figure was revised from the original R180 000 only after it became clear the TCI would pay no more.

WCCI officials accused the FCI of "a declaration of war" by its decision to set up in Johannesburg. They said the TCI vote to merge was almost unanimous and in addition to its membership, the chamber was taking with it all its committees and years of experience in handling the region's industrial problems They said it would take the FCI years to build up the same expertise.

Snyckers, however, said the FCI was bringing that expertise from Pretoria He said the FCI was bound to offer its services to Johannesburg industry and said the backing for a JCC-TCI merger was far from unanimous.

"We believe there are many companies who want to continue their relationship with us."

He said the FCI would not create a separate Witwatersrand structure. Companies would affiliate direct to the FCI and not a local chamber They would use the FCI's central services, although certain extra facilities would be created to serve specific local needs

The TCI also accused the FCI of "sheer spite" in refusing to allow it, as part of the WCCI, to enjoy some affiliation to the FCI on industrial matters

Some businessmen yesterday regretted the FCI's decision to set up a new Witwatersrand service, saying it would splinter commerce and industry at a time when the mood among businessmen was for a united voice.

However, the FCI motion expelling the TCI states it is not intended to hamper negotiations between the FCI and Assocom on closer co-operation in the future.

In its statement on Friday, however, the FCI said it had already opened talks with the powerful Steel and Engineering Industries Federation (Seifsa) on closer co-operation with that body. Although both organisations insist they will retain their separate identities, sources say the FCI's new Johannesburg home is almost certain to be in Seifsa headquarters.

entitles visitors to a wine-tasting glass   the tastings, a series of lectures on

FCI to compete with new body

Chambers brace for a civil war

20/7/87

BDay (180)

DAVID FURLONGER
Industrial Editor

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● To Page 2

Chambers set for civil war

BDay (180) 20/7/87

● From Page 1

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Cape Times 24/7/87

180

Dairy names quality, low prices as chief goals

By JANE ARBOUS

THE new Homestead Independent Dairy launched in the Western Cape yesterday is geared for growth, "but a limited one", Homestead MD John Jacobs said yesterday.

The dairy is the first real break in the milk producer stranglehold in the past 20 years in the area.

"We believe there is room for an independent dairy in the market. We're looking for a share of the market to make us a viable proposition but we don't want to be the biggest, although we are sure we will attract more milk farmers as suppliers

"We don't have the depth of products of the opposition but we believe we have a range which will appeal to the consumer"

John Jacobs

Archie Jackson

Geoff Venter

The venture was internally financed by four of the Cape's 120 fresh milk farmers, and three former Van Riebeeck executives.

Jacobs said the dairy would be able to undercut the opposition because operations had been streamlined and it would not have the same overheads which the existing four producers had accumulated over the years.

If trading goes as expected, the outlay would be recouped within three years, he said.

On the new plant at Parow Industria, production director Geoff Venter added: "We were lucky to acquire a suitable factory, office and storage area without any structural constraints."

The new plant at Parow Industria — a production area of 1 500 m² with plenty of room of expansion on a 5 000 m² site — cost several million rand

Much of the production equipment which must conform to the highest health standards, was imported from Germany.

Nearly 40 000 litres of milk will be processed a day.

Another executive who put his personal capital into the venture is financial director Archie Jackson

"I believe competition will result in better prices and quality," he said.

"In the food industry especially one which provides a basic food product such as milk, there seems to be little conscience either locally or nationally as far as prices are concerned.

"We are not selling jewellery, motor cars or household appliances where the consumer can choose not to buy

"We are selling milk — at the lowest possible price. A price fair to us, the producer, the retailer, and the consumer. The food inflation spiral must be stopped. That's our mission"

MANUFACTURING

Down in the dumps

Central Statistical Service's monthly index of physical volume of manufacturing production adds to the gloomy evidence on the state of economic revival.

The May seasonally adjusted figures (1980=100, admittedly a high base year) show a fall in the overall index to 94,3 This is the third consecutive monthly decline (March was unchanged) and well below the recent "high" of 101,3 in October 1986 One economist calculates that since February the index is declining by an annualised 12,9%

In the 53 months since January 1983 the index has been above 100 on a mere nine occasions, six of those in 1984. Last October was the only time the index scraped above 100 since August 1984. The lowest point since 1980 was 92,5 last June, the highest December 1981's 111,7

One shudders to think how much worse the picture would be were it not for the sharp drop in the rand, protecting local manufacturers from foreign competition

Reasons cited for this serious situation include the many public holidays, stayaways, and strikes in April and May But these only aggravate a long-term trend. Demand remains weak

Dismal proportion

Gross domestic fixed investment (GDFI) shows an equally dismal decline, to a seasonally adjusted annual R12,5 billion by the end of 1987's first quarter compared to R16,4 billion for 1980 and R17,8 billion for 1981 (at constant 1980 prices) As a proportion of GDFI, manufacturing has plummeted from 1980's 26,5% high (R4,3 billion) to 12,8% (R1,6 billion) in 1987's first quarter.

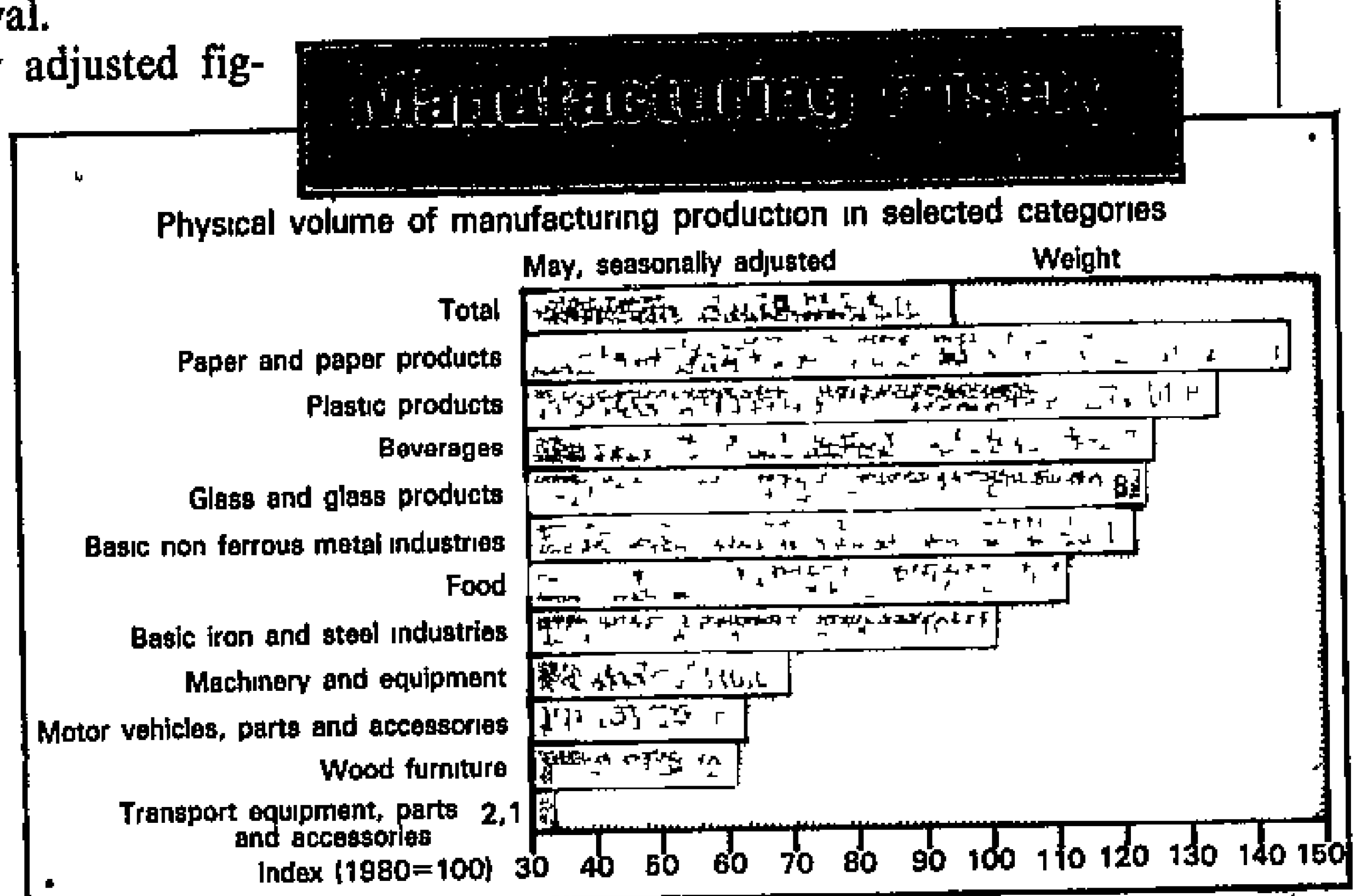
In May, only 12 of the 27 manufacturing categories, carrying a total weighting of 47,9 scored over 100

The largest increases since 1980 are in paper and paper products (146,4 — one of the few sectors to achieve significant export growth), plastic products (135,2); beverages (124,9), glass and glass products (123,8); and basic non-ferrous metal industries (121,8)

Of these, paper and paper products and basic non-ferrous metals, carrying the largest weights (3,7 and 3,1) are the major positive contributers to the overall index

The largest drops are in transport equipment, parts and accessories (33,4); pottery (55,2); wood furniture (61); motor vehicles, parts and accessories (61,4), and machinery and equipment (68,9). Many of these are big-ticket consumer items.

Machinery and equipment has a weight of 6,6 and motor vehicles, parts and accessories — 5,0 The two largest components, food (weight of 11,6) and basic iron and steel industries (10,4) are at 111,4 and 101,2 respectively ■



180 31/7/87 FM

Argus 21/8/87 (80)

New boost for home industries

By MAGGIE ROWLEY
Financial Staff

THE new Home Industries Rights, which will allow people to live and work on the same property under certain conditions, has been approved by the Administrator of the Cape, Mr Gene Louw, and is expected to be gazetted soon

Once this has been done, amendments to the city's by-laws will become law and will apply to all areas falling under the Cape Town City Council

An official in the council's town planning office said it was hoped the deregulation move would help to alleviate the city's serious unemployment

Eligible categories

In terms of the new rights people will be able to live and work on the same property on condition that the work involved includes

- Any profession or art, and,
- The trades of tailor, dressmaker, knitter, home baker or confectioner, typist, computer operator, photographer, manicurist, chiropractor, chiropodist, masseur or masseuse, hairdresser or barber, beautician, shoemaker, bookbinder, photocopier, etcher, leatherworker, milliner, silkscreener, caneworker and potter

Other activities, also, will be permitted with special consent from the council

The council is concerned that the noise and nuisance levels should be minimal

Home industries will be permitted to advertise the premises with a sign as long as it was no larger than 0,2m²

A further condition requires that no more than two people may be employed by the operator of a home industry

Producers hit by slack consumer demand

21/8/87

180

B/Day

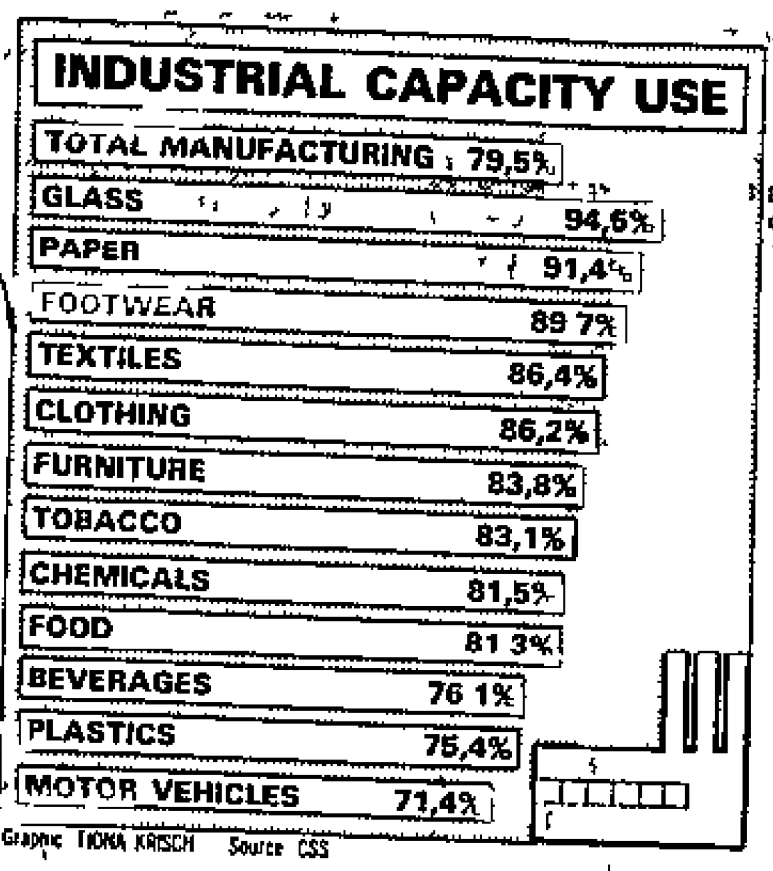
DAVID FURLONGER

LACK of consumer demand remains the biggest obstacle to manufacturers increasing use of idle production capacity.

Capacity use in the manufacturing sector as a whole was 79,5% in May, compared to 77,2% in May last year, government figures show.

Only two sectors — glass and paper — operated at over 90% capacity, with the others ranging from 89,7% (footwear) to 62,6% (transport equipment)

Nearly all sectors — 21 out of 27 — were busier than they were last year. Biggest May-to-May percentage increases were recorded by glass producers, 14,7%, and vehicle manufacturers, 13,5%



Graphic TIONA KRISCH Source CSS

Every sector except one blamed lack of demand as the main reason for inactivity. The exception was the leather industry, which cited raw material shortages

Of the 20,5% spare production capacity in manufacturing as a whole, the government figures blame 15,4% on insufficient demand, 2,4% on raw materials shortages, 0,9% on lack of skilled labour, 0,2% on lack of semi-skilled and unskilled labour, and 1,6% on "other reasons".

Business Repor

FRIDAY, AUGUST 14, 1987

'Back black co-ops for more jobs'

CNC Times 14/8/87 (..) (180)

Financial Editor

WHITE South Africans should help black co-operative ventures back by labour and community organizations to help fulfill the country's job needs, Shell (SA) chairman, J R Wilson, said last night

Speaking at the annual WP Institute of Marketing Managers "Marketer of the Year" banquet, he said small business could not compete with big business because it could not take advantage of the economies of scale

About half the small firms in SA did not survive beyond two years.

But small black business had suddenly become "a much sought after and pampered species", and regarded as a panacea to the national unemployment problem

"Is the informal sector really the solution to the country's economic problem?

"The fact that 30% to 35% of the inhabitants of Crossroads derive their livelihood from providing a service activity in the area certainly keeps money in circulation but it does not create real wealth "

Wilson said black community organizations and trade unions were attempting to do something about unemployment

"It is not generally known, but the black community has initiated a number of economic co-operative enterprises around the country to address the problem "

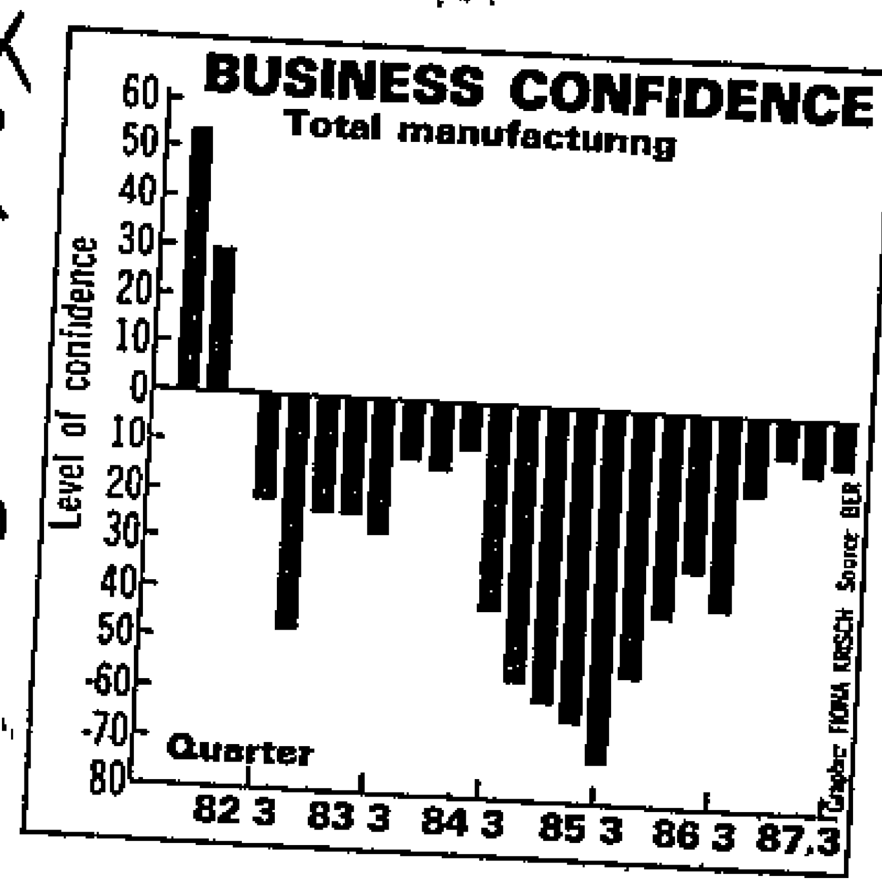
Examples of this were the Atlantis consumer co-operative, the black taxi association (Sabta) the Tiakeni textile co-operative in the northern Transvaal and the Sarmcol workers' co-operative in Natal

Wilson said that white business could add to the resources for such projects

"The need for sensitive involvement and creative and sincere co-operation, is urgent "

Employment stagnant, but . . .

Manufacturing sector shows signs of activity



18/8/87

MICK COLLINS

DESPITE increased third-quarter levels of activity in the manufacturing sector, employment remains stagnant, says the Bureau for Economic Research (BER) at Stellenbosch University.

However, in its latest analysis of the manufacturing sector the BER says more hours are being worked (overtime) by factory personnel. Demand for products is still weak and this, among other adverse factors, is contributing to low levels of confidence of manufacturers.

It says confidence levels have improved from a low index figure of 28 in the third quarter of 1985 to 90 in the third quarter of 1986.

"Nonetheless, the latter figure still portrays that more than 50% of respondents to the BER's manufacturing survey are experiencing unsatisfactory current conditions."

According to the more than 1 000 manufacturers who responded to the BER survey, further improvements occurred during the third quarter of 1987 which are expected to continue during the fourth quarter.

"The livelier tempo of real activities has not yet led to significantly higher employment levels. However, employment in the sector in the first half of this year increased by 0,5% compared with the first half of the previous year."

Survey results generated by the BER suggest that no further increases are foreseen for the third quarter of 1987. Improved productivity levels are reflected in more overtime hours being worked.

"In fact, 4,8% more hours were worked in the first quarter and 5% more in the second quarter of the year compared with 1986. This trend is likely to continue throughout the remainder of 1987."

Positive general economic first-quarter growth was not maintained in the second quarter, but various factors exist which could give impetus to the growth tempo.

These include interest rates which are expected to remain unchanged, a stable gold price and prospects of increases in both private and public sector employees' salaries.

An easing in the rate of inflation and further improvements in the volume of manufacturing production, and a slow but continuing improvement in business and consumer confidence, are other factors which could lead the way to increased growth.

It says manufacturers' perceptions of general business conditions became positive during the fourth quarter of 1986.

"Since then, continuous improvements have been reported and this improving tendency is expected to continue during the fourth quarter of 1987."

A majority (68%) of respondents feel general political policy has a damping effect on activities, while only 2% feel it is stimulating.

"It is clear that our political policy is inhibiting economic growth," the bureau says.

2 BUSINESS DAY, Thursday, September 17 1987

180

Manufacturing a growth solution for industry

MICK COLLINS

THE Board of Trade and Industry (BTI) would review the state of manufacturing to try to get the sector back on a growth path, BTI chairman Lawrence McCrystal said yesterday

He told the KwaNdebele development conference that growth in the industrial sector had nowhere near measured up to the target set in the Economic Development Programme

McCrystal said "For the period the programme has been operative (since 1978), growth in the volume of production in the industrial sector has only been 1,1% a year compared with a target of 5,1% a year Moreover, the volume of production in 1986 was 4,6% below the level in 1980"

He said far from alleviating rising unemployment, the industrial sector's uptake of labour in recent times, had been negative Employment in industry had fallen by 5,5% since 1980

He also pointed to disinvestment by the sector saying "Gross fixed capital investment in manufacturing has been less than depreciation provisions As a consequence, the total production capacity of the manufacturing sector has declined to the level of capacity which existed at the begining of 1983"

The manufacturing industry had been making an increasingly negative contribution to the SA's external-balance of trade "This negative contribution has increased in absolute terms (from R1,1bn to R6,8bn in 1986) and in relative terms as a percentage of exports (from 31% in 1977 to 54% in 1986)

MANUFACTURING

180

Getting better

Welcome news comes from the manufacturing sector as business conditions continue to improve during the third quarter of this year And expectations are that "further improvements are in store for the fourth quarter "

This is according to the latest *Manufacturing Survey* from the Bureau for Economic Research (BER) at Stellenbosch University.

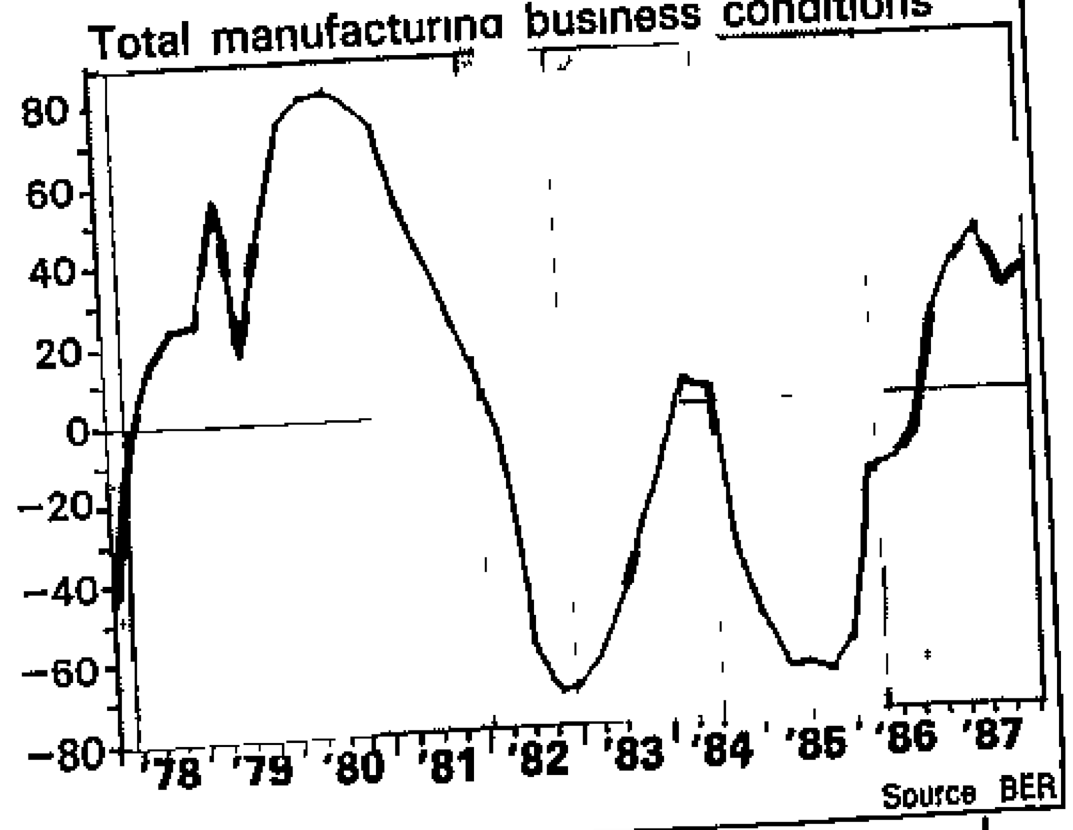
However, there are a number of hazards still lying round the corner BER says that demand is still relatively weak, while half its manufacturing respondents are still experiencing "unsatisfactory business conditions " And though there has been a marked improvement overall, it is reflected, not in higher employment levels, but in increased hours of overtime worked

This is to be expected as manufacturers try to increase productivity first and recoup normal profit margins following the recessionary squeeze Employers will also wait to confirm that increased production volumes form a continuing trend before committing themselves to an increased work force.

BER says the third quarter 1986 volume of production index was 1,5% up on the third quarter for 1985, improving to 4,1% in the following quarter. "In 1987 the first quarter recorded an even sharper increase of 5,3%" compared to the same quarter in 1986

"This livelier tempo of production was sustained into the second quarter," says the report, and manufacturers confirm that "further relative improvements occurred during the third quarter of 1987 which are expected to continue" into the coming fourth quarter.

Better times ahead



Source BER

Similar encouraging trends are reflected in the volumes of sales and orders received, says BER And the increase in real activity was also reflected in a higher utilisation of production capacity with an increase of 0,9% in the first quarter of 1987 compared to the same quarter in 1986, then "in the second quarter a sharper increase of 3% was recorded And indications are that production capacity was even better in the third quarter "

But the livelier tempo has not yet led to higher employment levels, although they did increase 0,5% the first half of this year

Another problem concerns future production prices According to BER's research, manufacturers believe the "desired trend of decreasing production prices will not be maintained "

They reported increased rates in total unit costs of production and selling prices during the third quarter of 1987, and expected further increased rates to materialise in the fourth quarter. This expected rise stems from materials cost as well as labour cost increases In fact, says BER, the index (1980 = 100) of labour cost per unit already increased from 9,8% in the fourth quarter of 1986, compared to the same quarter the previous year, to 12,7% in the first quarter this year

"Production prices are already in an upward trend," adds the report

Clearly union pressure for higher wages and the possibility of further strike actions leave little doubt that increased labour costs will begin to impact on manufacturers' output prices. One can only hope that unit costs of production will counterbalance these forces as manufacturers increase their turnover ■

will deter other offenders and potential offenders."

Politics 'no help to manufacturing'

MOST manufacturers feel current political policy is not good for business activity, Stellenbosch University's Bureau for Economic Research says in its manufacturing survey released this week.

Of more than 1 000 manufacturers who responded to the BER survey, 68 percent felt the general political policy had a dampening effect on activities, while only two percent felt it was stimulating.

"It is clear that our political policy is inhibiting economic growth," the BER comments.

Nonetheless, improvements in the manufacturing sector are expected for the rest of this year, following the upward trend of the last few months, according to the survey.

But better times this year have not meant more jobs but more overtime, a trend likely to continue for the rest of the year.

W/Mail
18-24/9/87 180

Manufacturing's lost chances

SA industry misses out on R4bn

B/day

180

29/9/87

LOCAL industry is missing out on R4bn a year in manufacturing opportunities.

SA imported R20bn in manufactured goods and raw materials last year. Government estimates that 20% — or R4bn — of that can be manufactured economically in this country.

It believes that if industry takes up the challenge, it can create thousands of jobs and stimulate economic and industrial growth.

A detailed breakdown of imports shows just where SA's billions are going.

Last year, it spent R4,76bn on importing machinery and mechanical appliances, another R2,35bn on electrical machinery. Iron and steel products accounted for R643m, and imported, unassembled cars R1bn.

Other import bills included R246m for pharmaceutical products, R84m for toys and sports goods, R118m for glass products, R116m for wines and spirits, R103m for tobacco products, R9m for felt-tipped pens, R26m for sugar and R16m for old clothing and rags.

The figures are contained in a booklet, Manufacture in South Africa, released yesterday. It is a joint publication by the Department of Trade and Industry, Board of Trade and Industry (BTI) and Industrial Development Corporation.

DAVID FURLONGER
Industrial Editor

The second such booklet, it is part of government's campaign to encourage import replacement and is intended to show would-be entrepreneurs where opportunities exist.

Pretoria concedes most of the imports cannot be economically made here. In many instances, potential manufacturers must also consider export markets as a means of reducing unit costs and creating an economic business.

Economic Affairs and Technology Deputy Minister Theo Alant said yesterday the BTI was already carrying out three separate investigations into export promotion to identify viable medium-to-long-term export industries, to restructure export incentives, and to create an institutional structure to promote exports effectively.

Alant said although major projects such as synthetic fuel operations and the Lesotho Highlands water scheme would encourage local industrial investment, development relied less on a few major projects than on favourable conditions over the whole manufacturing sector.

He said "Government, therefore, has no other choice but to act pro-actively in an endeavour to create a new phase of economic growth."

Argus 8/10/87 180

Protect SA industry, says Trust Bank chief

By TOM HOOD, Business Editor

A CALL for greater protection for South African industry was sounded today by Dr Fred du Plessis, chairman of Sanlam and Trust Bank.

A wave of protectionism was engulfing the world's major industrialised economies which could cause enormous repercussions for world trade and even world peace, he said in Trust Bank's annual report

"South Africa will have to sit up and take note of these important trends, the more so because we are the target of a very specific kind of protectionism in the form of sanctions

"Our attitude needs a complete rethink or else it could cost South Africa dearly

"Too many inappropriate policy slants were touted by official spokesmen in the first half of this decade under the banner of so-called free trade philosophy

"Given these circumstances, a realistic assessment of the protection afforded to local industry is called for"

The country would have to rely increasingly on its own resources to meet the challenges of its complex society

Dr du Plessis said the country's economic recovery remained fragile and hesitant

Individuals were reluctant to take up new long-term liabilities while they were unsure of the direction of interest rates, labour remuneration in relation to inflation, the personal tax burden and job security

Business leaders were being inhibited by the prevailing uncertainty

They feared interest rates might return to or even exceed the unprecedented highs of 1985 which contributed to the collapse of many businesses

"The authorities keep urging the private sector to display greater confidence and a more 'positive approach' towards investment' to benefit from potential business opportunities

"These exhortations, however, reveal inadequate insight into the practical factors which shape private sector investment decisions," Dr du Plessis said

Chirac in row over Pik's visit to France

The Argus Foreign Service

PARIS — A major political row involving President Francois Mitterrand and Prime Minister Jacques Chirac has broken out over the private visit here today by Foreign Minister Pik Botha

Mr Mitterrand, on an official visit to Argentina, said angrily in Buenos Aires that he had been told of the visit "only two or three hours before the announcement in Paris"

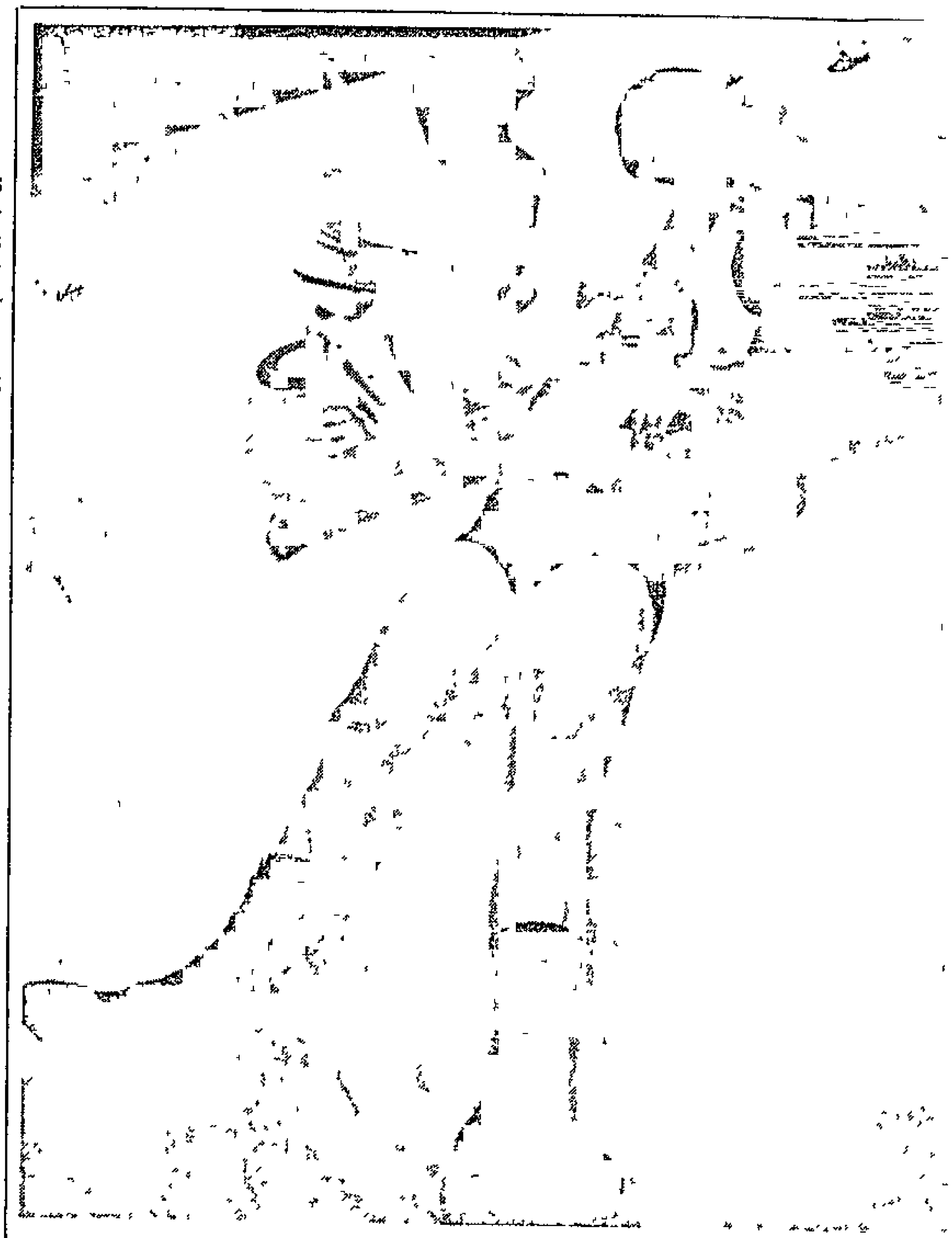
Foreign Minister Jean-Bernard Raimond, who is with Mr Mitterrand in Argentina, approached him on their flight to Buenos Aires and said he would have to return to Paris for talks with Mr Botha during his 48-hour private visit

A presidential aide told French journalists "This is really a breach of protocol by Mr Raimond who appears to have prepared this visit behind Mr Mitterrand's back"

WIDE SPLIT

The incident highlights the wide split, even abyss, yawning between the President and Mr Chirac. It is seen here as further proof that the "cohabitation" between the two men is crumbling fast

Meanwhile, government sources expressed hope that the Botha visit would lead to a much needed normalisation of diplomatic and trade relations Mr Raimond will explain his government's new "blueprint" for a Southern African settlement



Picture WILLIE de KLERK The Ar[illegible]

DOWN AND SULKING: South Africa's super-heavyweight wor[illegible] champion all-in wrestler Jan Wilkens is prostrate after being pin[illegible] during a tag team match at the Good Hope Centre last night. [illegible] partner, Danny "Tornado" Brits, and referee Peter Paxinos comf[illegible] him. ● Report, page 21.

Rabuka cracks whip over union[illegible]

The Argus Foreign Service

SUVA — Colonel Sitiveni Rabuka has underscored the start of the republican era in Fiji with a warning to trade unions and the Press to fall into line

Trade unions, he said, should behave "responsibly", while the Press would have to get used to the military regime's controls

As if to underline the point, Colonel Rabuka announced the appointment of a 19-member interim Cabin[illegible] which includes at least seven ha[illegible] line nationalists of the Taukei mo[illegible] ment

The Cabinet includes a minis[illegible] who once proposed the repatriation [illegible] the island's Indians

It also features three serving a[illegible] officers, including Colonel Rabu[illegible] who becomes Home Affairs Minis[illegible] as well as self-styled head of state

'Pretoria on verge of announcing major steps'

CT Times 19/10/87 (300/180/100)

Business deregulation: Govt considers reports

Own Correspondent

JOHANNESBURG. — The government is considering a series of reports recommending widespread business deregulation, particularly for blacks.

Recommendations include country-wide Sunday trading, abolition of local trade licensing boards, repeal of laws restricting black business, and open entry to the taxi market.

The reports, prepared by the Competition Board, were made public at the weekend. Board chairman Stef Naude says their release, at the government's request, indicates Pretoria is on the verge of announcing major deregulatory steps.

The reports' release coincides with the first use of the 1986 Temporary Removal of Restrictions on Economic Activities Act. The so-called "Red Tape Act" empowers the State President to cut through regulations impeding economic development.

According to the latest Government Gazette, the Act is being used to speed up a building development in the Johannesburg suburb of Kew. Naude expects further applications of the Act to follow.

However, Free Market Foundation director Leon Louw warned yesterday that the government had promised deregulation action before without delivering. While welcoming its apparent new willingness to act, he said: "I'll wait and see what happens before getting excited."

Local government

The board's recommendations on entry into the taxi market — that licences should be available on demand, subject to driving ability and vehicle road-worthiness — have already been incorporated into the white paper on National Transport Policy.

The report says the existing subsidized bus system is inefficient and unpopular.

Another board report recommends deregulation of trade at local government level. The report says that of the approximately 75 economic activities requiring licences, only a handful should be retained on health and public safety needs.

The report also recommends the rest of the country follow Natal in ending Sunday trading restrictions.

The Departments of Constitutional Development and of Development Aid are currently examining a report calling for the repeal of laws restricting trade in black areas.

The report says two elements of the Development Trust and Land Act — prohibiting blacks from possessing a trading licence or buying and owning a business site without individual ministerial permission — should be repealed. It adds so should two government proclamations from the 1960s barring blacks from licensing two premises within a 32km radius, and prohibiting salesmen and hawkers from entering black areas without written permission.

Call for closer ties between Assocom and FCI

CAPE TIMES 21/10/87

From DAVID FURLONGER

EAST LONDON — Closer ties between employer bodies such as Assocom and the Federated Chamber of Industries (FCI) are inevitable, Assocom president Harold Groom said last night

He said while special services would always be needed for particular sectors of commerce and industry, the areas of common ground were growing all the time

Addressing the opening of Assocom's National Congress in East London, Groom said the economies of scale to be achieved from sharing services deserved examination by employer bodies

As president for the last year, Groom has been in the thick of attempts to forge more co-operation — even a merger — with the FCI He also favours discussions with the Afrikaanse Handelsinstituut (AHI) and other employer bodies to find areas of common activity

He said last night "I would therefore, in the first instance, appeal to my colleagues in the FCI, with whom we have a close affinity, to give serious consideration to this matter in the coming year

"The recent creation of the Witwatersrand Chamber of Commerce and Industry (WCCI) through a merger between the Johannesburg Chamber of Commerce and the Transvaal Chamber of Industries indicates that the arguments for co-operation are profound

"The case for closer collaboration among major employer bodies has almost become a structural inevitability"

Defending the role of business in pressing for reform, Groom insisted such activity was not party political

Even where such pressure involved the taking of political decisions to satisfy it, "it should be understood that our motivations are not party political, but economic", Groom said

"Assocom is not an organization of protest but one of negotiation"

First interim dividend since 1985

Pepkor back in the black

Cape Times 22/10/87 (180)

By AUDREY D'ANGELO
Financial Editor

PEPKOR, which last year was still struggling under a heavy load of foreign exchange debt, is back in the black after its rights offer to raise R52,7m and the sale of subsidiaries and of 2,5m shares in Pep Stores.

It has achieved attributable profits of R12,6m for the six months to August 31 compared with a net loss of R0,4m a year ago.

This is equivalent to earnings of 132,8c a share on the weighted average of 9 497 600 shares in issue, compared with the loss of 4,5c per share incurred on the 8,4m shares in issue last year.

In line with stated policy, borrowings have been slashed from R129,2m at the end of the last financial year to R49,2m and the interest bill has been cut from R21,3m to R7,8m.

An interim dividend was declared in August to avoid having to pay undistributed profits tax. This, the first interim since 1985, will be paid next month.

Pepkor chairman Christo Wiese said that turnover had risen only "marginally", to R414m (R409m) because of the sale of non-core operations. But, he said, operating profit had risen by 14% to R26,7m.

Pointing out that the second half is traditionally the most profitable, Wiese said he was confident that the group was "well on track towards paying a final dividend of between 50c and 60c, in addition to the interim payment."

He said that he was delighted with the excellent performance of the group's two principal trading subsidiaries, Pep Stores and Shoprite, both of which reported substantially improved turnover and profits earlier this week.

"However, because the figures for the interim period last year include the non-core operations, the increase in the contribution from both Pep Stores and Shoprite is not fully reflected in Pepkor's increase in results to the end of August this year."

Wiese said that the borrowings would be further reduced by year-end as a result of the sale of Budget Footwear, Knitwear Industries and House of Monatic to Lenco Holdings.

These sales are subject to shareholders' approval and will be discussed at meetings on December 3.

"I believe that our figures at the half-way stage vindicate our decision to embark on a substantial restructuring programme," said Wiese.

Cape Times 22/10/87

to the same levels. Overall, consumer spending should rise up to 5% in 1988 after 4% this year.

(Registration No 83/01066/06)

Profits soar 104%

-/80

Malbak chalks up almost R2-bn worth of sales

Cape Times 11/11/87

From LIZ ROUSE

JOHANNESBURG — Malbak chalked up sales of nearly R2 billion in the year to August, a period which includes only two months' contributions from most of the industrial interests acquired from Gencor

Year-end results reflect the creation of a giant industrial group with enormous potential It is already capable of achieving sales of between R3 billion and R4 billion.

In the past three years the group's earnings have grown at an annual compound rate of 54% while dividends have risen at a compound rate of 26%

Following last year's 131% hike in earnings, Malbak this year notched up a further 104% improvement in attributable profit to R61,6m from 1986's R30,1m

Malbak's issued share capital was increased in exchange for acquisition of certain of Gencor's industrial interests and, on a weighted average basis, earnings advanced 36% to 65c a share (47,9c)

The final dividend has been raised by 3c to 13c, making the year's total disribution 20c (15c)

Sales surged to R1,96bn, up 97% from last year's R996m, while pre-tax income climbed 118% to R133,4m (R61,3m)

Utilizing assessed losses in certain subsidiaries, Malbak has a tax rate of 37,7% (1986 42,3%). Tax of R49,8m (R25,9m) left taxed income 137% higher at R83,6m (R35,3m) Outside shareholders' interest increased substantially, largely for major shareholder Gencor, and this, plus preference dividends, account for R18,3m (R299 000)

Malbak's balance sheet highlights the strength of the group. Gearing in the form of interest-bearing debt to permanent capital has declined to 29% from 47% at February 1987 Total assets soared to R1,87bn from R476,1m

Executive chairman Grant Thomas reveals that some pro-forma calculations have been done to give shareholders some indication of what the group would look like had the Gencor acquisitions been effective for a full 12 months

The consumer products division would have contributed 21,8% to operating income, which would have totalled R316m, the engineering division 21,2% and the paper division 20,5%. These three divisions would have jointly earned 62,8% of sales, which would have totalled R3,56bn and used 66,5% of the group's R1,36 billion funds employed

Thomas says that all divisions performed well

Malcor Holdings, which once again becomes a pure pyramid of Malbak, achieved an 88% rise in earnings to 166,1c a share (132,5c) and the dividend total is up 30% at 56c (43c)

BUSINESSMAN OF THE WEEK

W/C ARGUS 21/11/87

(180)

Reduce prices to prosper, SA urged

By DEREK TOMMEY

MIKE Getz, newly elected president of the Cape Chamber of Industries, took up his new role as spokesman for Western Cape industry this week with a simple down-to-earth message for South African professionals and businessmen.

If they and the country are to prosper they must reduce their prices to a level the country's Third World population can afford, he says

Mr Getz, is a director of Seardel and one of the leaders of the country's clothing industry, where he has had a dazzling career He joined Cape Underwear Manufacturers as a stock clerk at the age of 20 and by the he was 35 he was managing director

SOLUTIONS

In an interview shortly after his election he outlined some of the problems he saw facing South Africa and what he believed could be possible solutions

As an example of the country's problems he cited a conversation he'd had recently with a top Korean businessman who was on a visit to this country

"Your motor industry has been operating here since before World War 2, hasn't it," the man said "You have adequate resources of steel and coal Your wages have been, for the last few years at any rate, lower than those in Korea Then will you please explain to me why your cheapest motor car is $9 000 when it is $3 000 in South Korea ?"

The Korean added that with a $3 000 (R6 000) car, everyone with a job could afford one and many more more people would have jobs, the Korean added

Mr Getz said that for at least a generation industry in South Africa had been providing a stream of products and services at First World price levels and through a First World system of distribution

But the First World market in South Africa was fully mature and was illustrated by the fact that there had been no real growth in most manufacturing for almost a decade

A similar and more serious development was taking place in foods where the volume sold was falling as well, he said

But the market that was emerging, and where the opportunities for business lay, had a disposable income more in line with Third World levels, though the aspirations there might be those of the First World

Mr Getz said the Western Cape needed to identify and develop this market

"We have excellent resources, particularly human resources, but we are some distance from the hub of the domestic markets which is the PWV area And to some extent we have been a little removed from the realities of our continent, which are more obvious in the north — the industrial heart of this country"

"What we have to do is to adapt and amend our infrastructure to meet the needs of our emerging market

"And the best way to do this is to accept the challenge of achieving international competitiveness

"If we could manage this we will be matching the competitive thrust from developing countries, particularly those in the Far East, and put a wide range of goods and services within reach of our emerging consumers as well as our export markets.

But it meant that the Government, consumers and industry and its components — shareholders, management and workforce — would have to commit themselves to matching foreign competition.

(Turn to Page 2)

Mike Getz . . . new president of Cape Chamber of Industries

WK Argus 21/11/87

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'Reduce prices to prosper'

(From Page 1)

Industry would have to press the Government to exercise its political will, where this was necessary, to facilitate its ability to meet international competition, he said.

For example, the country's comparative advantages, its natural resources, should reach industry, particularly the manufacturing sector, at internationally competitive prices which in the main it was not.

"As raw materials in most industries comprise 45-50 percent of their total costs, this would be absolutely consistent with ~~the~~ Government's drive to change the bias of industry from import substitution to export advancement."

He said industry was looking more seriously at international standards of performance, including costs, productivity and things like labour turnover, absenteeism and more particularly human relations at there work place.

He added it was absolutely necessary for management to tell its work force about key issues in the market place which determine what the company can do in terms of its planning and what priority.

This had to be done by management itself. If management used specialists in industrial relations or unions to communicate with the work force the message went through a filtering process and it might not reach the worker in the form that management expected.

Mr Getz also said that it was important that industry supported both its regional and national organisations. It was facing the Government on the one hand and on the other the unions which were organising themselves to deal with their own interests on an industry basis.

Industry had to take care that it was effective and meaningful on a regional basis, and also be prepared to negotiate and respond to the Government and unions on a national basis.

AN ATTRACT

Cape Time

Cape Times 16/11/87

180 289

Manufacturing profits rise by 26%

Own Correspondent

JOHANNESBURG. — Manufacturing firms increased net profits by 26% in the second quarter of this year, government figures show.

Combined profits of manufacturers in the three months to June amounted to R2,28 billion, compared to R1,81 billion in the second quarter of 1986. The figure was also a slight improvement on the first quarter of this year, when profits totalled R2,2 billion.

Nearly every manufacturing sector reported better profits to June, officials say. Biggest increases were in textiles, industrial chemicals, motor vehicles, machinery and equipment.

A large slice of the improvement is due to a reduction in firms' interest burden. From R831m to June last year, interest payments in the second quarter of 1987 fell 18% to R681m. The food and chemical industries, in particular, enjoyed lower interest bills, say officials.

Manufacturers laid out R893m in capital expenditure on new assets in the three months to June, compared to R815m a year ago. More than two-third of that went on plant, machinery and fittings. Companies increased spending on new motor vehicles by nearly 50% during the quarter, to over R120m.

Manufacturers' profits rise 26%

B/day 16/11/87

(180)

MANUFACTURING firms increased net profits by 26% in the second quarter of this year, government figures show.

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DAVID FURLONGER
Industrial Editor

Manufacturers laid out R893m in capital expenditure on new assets in the three months to June, compared with R815m a year ago. More than two-thirds of that went on plant, machinery and fittings. But there is also good news in the figures for the motor vehicle industry. Companies increased spending on new vehicles by almost 50% in the quarter to more than R120m.

The physical asset value of the manufacturing sector has also risen. At the end of June, the book value of land, buildings, machinery, furniture, vehicles and other equipment stood at R35,7bn, compared with R34,1bn a year ago.

The value of stocks held had risen from R18bn to R20bn, while bills, short-term notes and debtors were worth another R15,8bn, compared with last year's R14,3bn

Argus 18/11/87

CITY

Apartheid in business must go — industrialist

By MAGGIE ROWLEY, Finance Staff

A GIANT business pressure group uniting commerce and industry and open to all has been proposed by Mr O von G Scholtz, outgoing president of the Cape Chamber of Industries

This would mean the merging of the giant Association of Chambers of Commerce (Assocom) with the chambers of industries and other groupings in industry and commerce

At the annual general meeting of the CCI last night, Mr von Scholtz said apartheid in business must end

Mr von Scholtz

"I do not accept the grounds for divisions between organisations representing commerce and industry or within organisations representing industry The very few areas where interests clash could easily be overcome

"Separation is being maintained by the usual human fear of change, wrapped in a wide variety of mainly spurious reasons"

He proposed the formation of a new national business organisation "which allows for the sharing of services and costs of the best professionals, open to participation by all organisations representing business, and speaking with one voice"

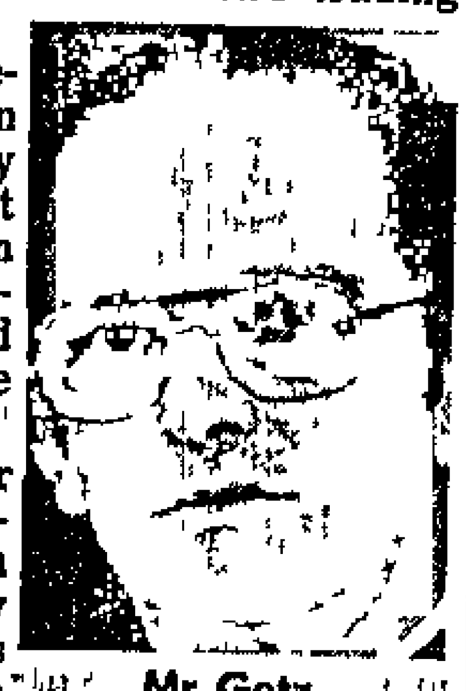
Turning to inflation he said it was causing serious damage to the economy and urgent and positive action was required

"Our inflation is so much higher than that of our main trading partners that our advantages in exports are constantly being eroded This will continue unless the rand falls even further which, if we go on managing the economy as we do now, it no doubt will"

He warned that the measures that had to be taken to fight inflation might cause higher unemployment

The government had to formulate a clear and consistent policy to reduce inflation as near as possible to the levels of South Africa's trading partners

A strategy should be determined in co-operation with business The means by which the government sought to lower inflation should be published and progress should be measured against set objectives, he said



Mr Getz

"Our current growth is far below the country's potential It is not a problem which can be solved only by economic policies, but lies in structural factors which inhibit the individual and the economy's ability to respond to oportunities in positive and productive ways"

Certain actions were urgently needed including

- The lowering of the tax rate
- The elimination of all unnecessary state expenditure
- Deregulation and privatisation
- The eradication of all discriminatory legal restrictions on citizens

"Inevitably this will enable every individual to achieve their ultimate potential and proper reward for effort, work and expertise, and take their full place in a thriving free market economy," he said

- Mr Mike Getz has been elected the new CCI president

Key sectors in good health

Industry is optimistic despite crash

(180)

6 Bus 27/11/87

MICK COLLINS

THE severity of the stock market crash, while differing from sector to sector, will be intensified if the market decline signals an impending economic slowdown, say industry spokesmen.

Telecommunications-industry spokesmen say their profit forecasts will be unchanged unless there is an outright recession.

Although optimistic for 1988, Plastics Federation chief Bill Naude says raw material shortages, which are a worldwide problem, could affect growth.

No crash impact

"But most people expect the high through-put to continue despite the JSE crash."

Natal Chamber of Industries CE John Pohl says despite some pressure on raw materials, shortages and skilled labour, he feels reasonably bullish on 1988

"There is concern as production costs look set to rise and these in turn will pass through the system. But indicators from our own analysts indicate growth for the fourth quarter and early next year with no real impact from the JSE crash."

Tobacco and beverage analysts say the market collapse has not changed their positive outlook for 1988

"These products, such as cigarettes soft drinks and beer, are the little pleasures of life that people don't want to do without," says one.

Analysts also seem confident of prospects for the computer industry, although they say they will be looking closely in coming months for any sign of a downturn in corporate-capital spending, a key economic indicator in the sector.

Many key SA industries are in much better shape now than five years ago, they say, and show more concern for SA's export-drive if the rand strengthens further.

Seifsa executive director Brian Angus says it's still too early to tell the effect of stock market travails.

"Whether the recent setback on all of the world's markets will impact on the metal industries is hard to predict Our surveys indicate a trend level which looks as though a moderate recovery might last throughout 1988."

Uncertain outlook

The Witwatersrand Chamber of Commerce and Industry (WCCI) tells members the majority of executives of the top 100 companies listed on the JSE seemed "uncertain" about the outlook for 1988

Generally speaking, the predictions seem to suggest a turbulent business environment The outlook is as uncertain for 1988 as it was for 1987, and much depends on how far SA progresses on the road to reform, both politically and economically, it says.

But the WCCI, quoting Unisa's Bureau of Market Research, says the overall economic scenario is rosier than it was for 1987, with the economy settling into a gentle upward phase

Earnings soar by 30%

Barlow Rand reinforces top position

From CHERILYN IRETON

JOHANNESBURG. — Barlow Rand has reinforced its position as the country's top industrial/mining corporation with an impressive performance for the year to end-September.

Earnings are up 30% to 275c a share, which, although in line with market expectations, are ahead of earlier forecasts by the group.

The final dividend has been lifted to 70c a share (56c) taking the total distribution to 100c (80c) for the year.

CE Warren Clewlow says the tone for the current year is "generally positive", a mood underlined by Barlows' plan to spend R1,5 billion (R656m) on capital projects Most of the expenditure will be earmarked for mining projects.

Industrial operations

Commenting on the results Clewlow said: "We had a good half year, but wondered at the time whether we would follow through quite as strongly. As its turned out, its been a little stronger than we thought"

The main contributors to the increase in taxed profit — from R669,6m to R872m — were the group's industrial operations which showed an overall improvement of 73%, off "a fair base".

These companies not only accounted for 35% of total profit, but usurped the mining and minerals beneficiation sector's position as the group's main profit generator.

Clewlow is, nonetheless, happy with the mix because it gives Barlows a very solid base.

Mining and minerals beneficiation contributed 31% (38% previous year) to profit after a good performance from PPC and Middleburg Steel.

Although Rand Mines earnings were marginally down, Clewlow says the mining house fared well to "turn in a performance fairly close to that of last year"

The group's food interests, through C G Smith foods, again contributed 24% of profits, doing well "to improve its profits by 30% on a rather modest increase in turnover"

"Our international companies stayed the same We lost a little on currency translation but are about the same internationally. The disappointing part was our American packaging group which had a difficult time."

This company has since been sold The contribution from the international operations amounted to 10% (12%).

Strong cash flow

Stressing the important role played by the group's unlisted subsidiaries, Clewlow said the 100% owned subsidiaries contributed a third of the group's profit and were good cash producers.

Almost 43% of the corporation's profits are earned either by exports or in foreign currencies.

In the year a strong cash flow of nearly R500m helped reduce borrowings which impacted favourably on all ratios. Gearing fell to 50% (63%).

On yesterday's closing price of R19,25, the share yields 5,2% on dividend — against the industrial holdings sector average of 3,9% — and 14,2% on earnings, against the sector average of 10%.

F S INDUSTRIES

Behind the scaffolding

While FSI has produced excellent results, question is whether the group can afford to finance the takeover of Waicor. And even if FSI can handle the deal, investors should understand that this is a highly-geared, high-growth group.

F S Industries (FSI) has received considerable attention recently. It has produced excellent results, but interest has centred on speculation about its ability to finance its recent purchase of Waicor, holding company of the W & A group Originally hailed as a coup for Jeff Liebesman, CE of holding company FSI, the deal now has investors worried about FSI's gearing, as, with the fall in the market, many minority investors will be taking the cash option

The deal has undoubtedly put Liebesman into the big league "FSI's profits after tax will exceed R100m, compared with last year's R25m," he forecasts "This puts the interest bill (probably around R12m) into perspective" Combined operating income for the latest financial year is R112m, an increase of 168%, and net worth per share will rise 83% from 213c to 390c in June 1988

FSI's overseas interests are one of the reasons for speculation about the group. Silence has become normal for a South African company eager to keep its markets and foreign subsidiaries safe from anti-apartheid sentiment, and FSI has duly kept quiet about gearing of overseas operations. Rumours have circulated that Liebesman uses "junk bonds" (high-interest low-security borrowings) to raise funds, but he says that though there is a facility for the company to raise finance by this means if necessary, FSI has not used junk bonds at all.

Liebesman tells me the foreign companies have a gearing of 70% Listed South African companies in the group, industrial fasteners maker National Bolts and its distribution subsidiary FS-Team, have more comfortable gearings — 45% and 28% respectively, without adjusting for market values of investments By the same measure, FSI has a ratio of 89,4% Consolidated debt amounts to R140m, with only R44m coming from National Bolts, the balance being with "Form Scaff and international operations." The very high debt equity ratio must be within this area, but reflecting a position in SA An important point is that interest and leasing charges are comfortably covered at 2,8 times

According to Liebesman, the year-end situation did not reflect average borrowings for the year "Debt has fallen substantially since year-end It should be around 75%." He admits that one of the attractions of the Waicor deal, although obviously not the main attraction, was the low gearing in the W & A group Had W & A been included in the latest balance sheet, FSI's gearing would have been only about 70%

Liebesman is averse to issuing paper for acquisitions, which thus need to be financed by borrowed capital "Our gearing depends upon what the opportunity is," he says, but insists he will not use debt to an extent which will endanger the balance sheet Interest payments may reduce earnings per share, but this can be offset by the fact that earnings are not diluted by the issue of additional shares for acquisitions

Investors express two other concerns The first is that the need to finance the Waicor deal, which Liebesman says will cost R230m, means a climb in FSI debt of 159%, based on the high June figure Liebesman says that, including the Waicor equity, the debt equity ratio is expected to be 67% by end-June 1988

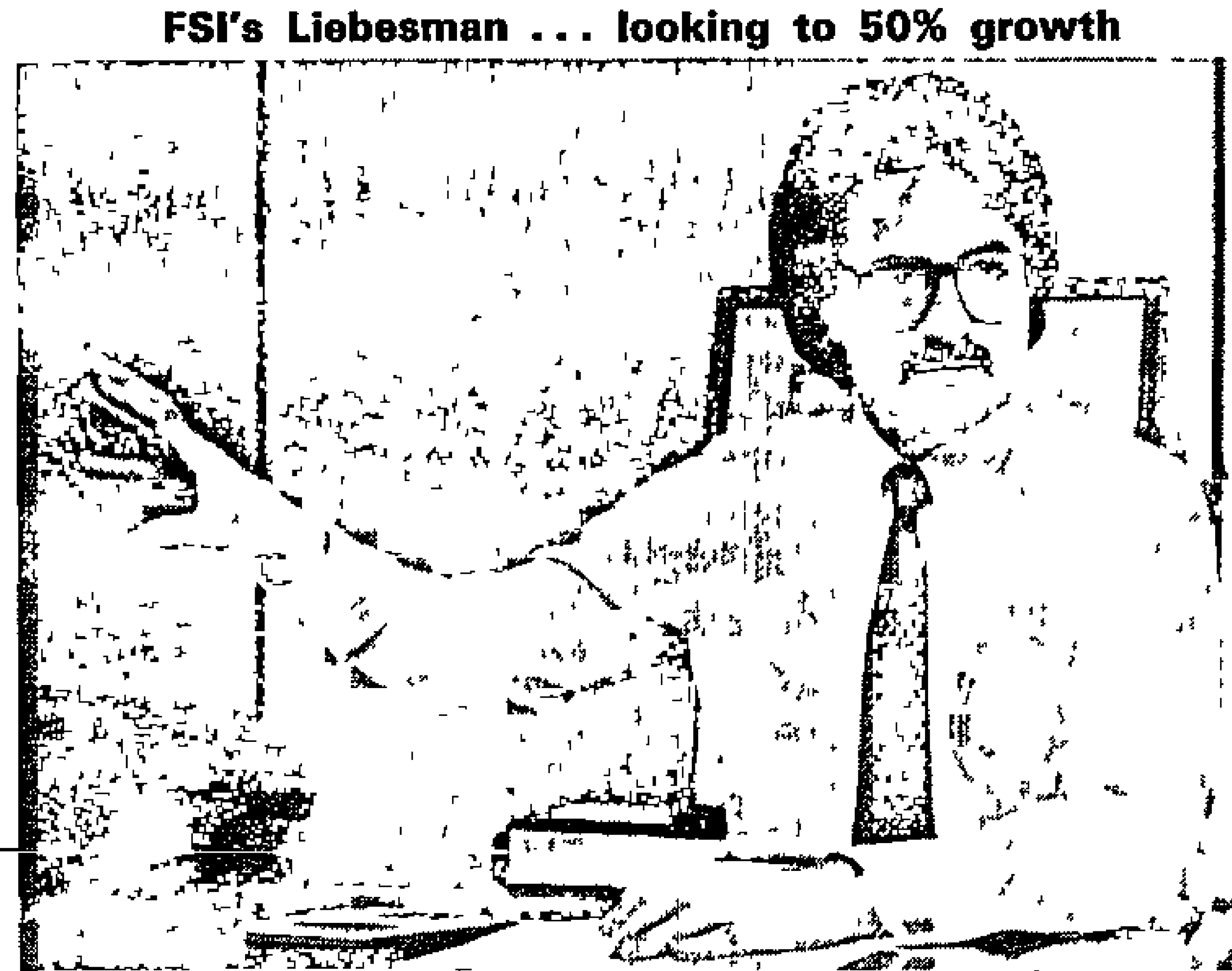
From FSI's viewpoint, Waicor has been almost self-financing, in the best tradition of leveraged US takeovers In these cases, funds are raised against the assets to be acquired — but the difference is that this was never Liebesman's intention He did not anticipate that the market crash would push prices well below the cash offer

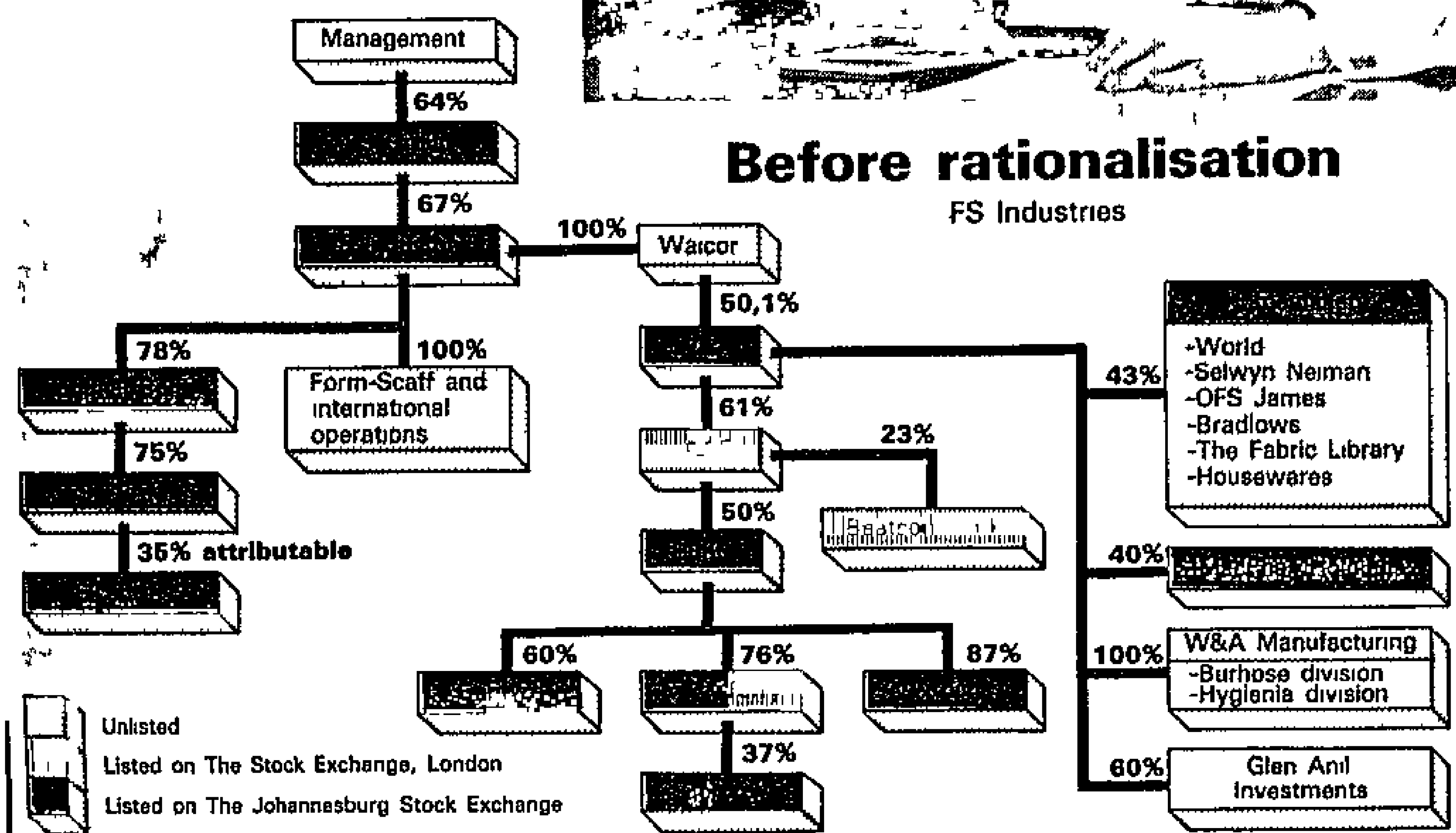
Investors are also concerned that the market's fall has substantially reduced shareholders' funds by reducing the market value of listed investments FSI financial director Neville Cohen says this is not correct Gearing, including 47% of Waicor, at present amounts to 50% at market prices and 55% at book value W & A MD Brian Joffe says the impact of changes in the value of investments on W & A's gearing has also been almost negligible Calculated conservatively, W & A's gearing at end-December will be 18%-20%

Of course, there is the view that a company with the rapid growth of FSI is entitled to gear up, it can earn a return on those funds well above the cost FSI's return on capital employed is 26,5% and EPS growth in the three years since listing has averaged 151% a year Another measure, return on equity — which is regarded as crucial by some US analysts — is high at 21,7%

An important point is illustrated by the jump in outside shareholders' interests from R32m in the year to end-June 1986 to R70m in 1987 Liebesman insists that all MDs and directors of group companies have significant stakes in companies they run, whether

FSI's Liebesman ... looking to 50% growth





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FM 27/11/87

listed or unlisted

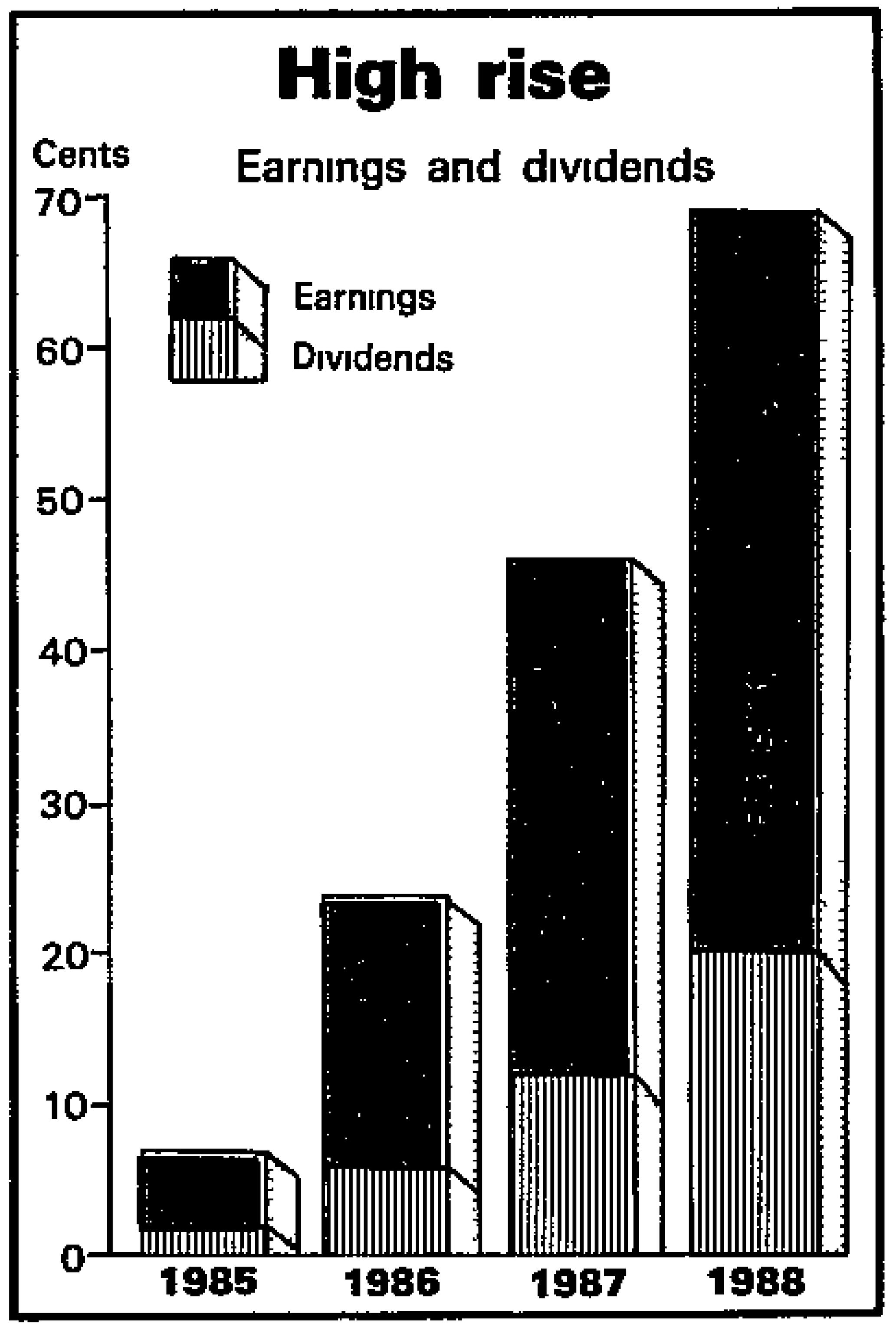
"In Homemakers, executive management owns 30% of the business and in Elcentre the figure is 33%. The situation is similar in other companies," he says This helps what he calls the entrepreneurial quality of management at operational level "Nearly everyone has brought his own successful business into the group and all have major stakes in the businesses they run "

What does Liebesman intend doing with the Waicor group? The Homemakers' deal was initiated by Joffe before discussions about the takeover by FSI, but meets with Liebesman's full approval, after all, he helped expand the concept This could be an indication of possible future developments Liebesman is looking for synergy — not necessarily merging of operations An obvious area is the motor industry, with General Tyre, Curnow and Tarry's Williams Hunt motor distribution operations to start with Another possibility would be builder Glen Anil or pantihose manufacturer Burhose.

At this stage Liebesman is not talking about other plans, but it is clear that changes will come The anomaly of double pyramid companies — Hunts, W & A and Waicor — is likely to be addressed, but Liebesman won't easily give up an asset such as a listing (no part of W & A is for sale, he insists), so listed companies could be used as vehicles for listing other operations, probably future acquisitions

Above all, the dual listing in Johannesburg and London of E W Tarry and the London listing of AAF Investment Corporation will be used to advantage.

Until recently, when former Waicor chairman Manny Simchowitz bought 23% of British company Beatson Clark, AAF had been neglected Liebesman, with overseas interests already well established, will certainly change this



"Our expertise is in rationalisation and restructuring," he says. When it comes to rationalisation, it is to be expected that Tarry, the original subject of negotiations between Liebesman and Joffe, will join together in some way with the tools and hardware section of National Bolts.

But Liebesman also points out that W & A is in basic industries, that management is doing well, and that return on capital employed is better in distribution than in manufacturing So it seems that emphasis will be placed upon getting the W & A products to customers

This will not only apply in SA Liebesman intends to bring W & A into the international arena, using the distribution capabilities of FSI and its established network

But emphasis will remain on organic growth Foreign operations' contribution to group profits grew 80% last year, that of scaffolding company Form Scaff was up 100%, and listed National Bolts had an earnings rise from 95,1c to 200,5c Operating margins in the group overall rose from 11,3% to 14,7%, so it seems the insistence that management puts up its own money is working

As far as the outlook for the present year is concerned, Liebesman has made firm forecasts of growth excluding W & A He notes "Form Scaff has equipment which would cost any other firm three times as much to buy now, so we are well placed to take advantage of the new capital projects We are budgeting for a 50% increase in overseas activities and a similar amount for local interests, but these are already ahead of target "

Assuming a 50% rise in FSI's earnings, earnings from this source, after taking the increased interest bill into account as well as the Waicor earnings, will be 69,3c (Joffe forecasts Waicor's earnings at R2,80, though this is certain to be conservative, as is the FSI forecast) Tax is expected to remain at around the current 25%

FSI is thus on a forward earnings yield of 13,2%, which seems cheap, even in this market

For investors the important point is that the group has proved it can perform, but that it is also a highly-geared entrepreneurial organisation. To let Liebesman have the last word "We have made it clear what type of organisation FSI is We have a high growth rate and can live comfortably with a debt-equity ratio of 75% "

Pat Kenney

SATURDAY NOVEMBER 28 1987

Factory output jumps 13 percent

W/C Argus 28/11/87 (180)

By DEREK TOMMEY, Finance Editor

AFTER years of stagnation, economic growth in South Africa has started accelerating to raise the prospect that 1988 could be a boom year

However, owing to a number of abnormal factors this has not yet been fully reflected in the official national income figures.

Preliminary figures, in fact, show that in the third quarter the economy grew at a depressingly low annual rate of either 0,5 percent, or 1,5 percent, depending on which price base one employs.

But Central Statistical Services, which prepared figures, admits that they do not reflect the true position.

For example, they conceal the extremely important fact that manufacturing expanded at an annual rate of 13 percent in the third quarter, and that secondary industry as a whole — which includes manufacturing, construction, fuel and power — grew at an annual rate of 11 percent in that period.

This is an improvement (or an acceleration) of almost 50 percent on last year's corresponding figures.

Further encouraging news was that the rate of increase in manufacturing output in the 12 months ended September was more than three times that in the previous 12 months

The upturn in manufacturing will please a great many people in both the public and private sectors.

It is generally accepted that the burden of providing jobs for the country's growing black population will fall mainly on the manufacturing sector

It will also have to produce much of the wealth that will be needed to finance the country's growing requirements.

This improvement in manufacturing activity was not reflected on the gobal national income figures for two reasons, say the officials who compiled the statistics.

One reason was the strike on the gold mines which resulted in a considerable decrease in the volume of gold produced and depressed the figures. But this negative factor was only temporary so the December growth figure should show a big improvement.

The second reason is that the statisticians are having great difficult in calculating the value of agricultural output at what they term an "adjusted seasonal rate"

As they state frankly "The seasonally adjusted agricultural production figures for recent quarters is misleading"

This problem with agricultural figures means that the December globular national income figures could again indicate that South Africa was a low growth economy, or alternatively an overblown economy — and neither would be right.

Latest employment figures show that some acceleration in the manufacturing sector is badly needed. In the 12 months ended August, total employment in manufacturing rose by only 8 000 to 1 326 000

The number of blacks in manufacturing grew by 6 400 to 705 700 and the number in construction grew by 4 400 to 208 400 — which does not make much of a dent in the additional 500 000 to 600 000 blacks seeking work every year

'Now's the time for bargain buys'

Finance Editor

THE current drop in share prices has given long-term investors a major opportunity to buy high quality South African stocks at bargain basement prices, said Mr David Gleason, head of Mathison and Hollidge's research department.

During a visit to Cape Town this week he said that anyone who was prepared to buy these shares now and put them away would experience astonishing capital gains over the next five years.

Mr Gleason said he believed that industrial shares were in the second phase of a bear market.

In this phase he expected a series of upward rallies that could lift the industrial share index, now around 1430, to a peak of 1900 during 1988 But thereafter he expected it to fall, possibly to a bottom of 1200

He said this was the way markets operated when in a bear phase."

He also did not expect the gold price to move much above $500 next year, which was not much higher than it was at the moment. The gold price powered the South African economy.

The earnings growth of companies was also likely to slow down Earnings increases, now about 40 per-

(To Page 2)

BUSINESSMAN OF THE WEEK

W Cape's future is hi-tech

By DEREK TOMMEY

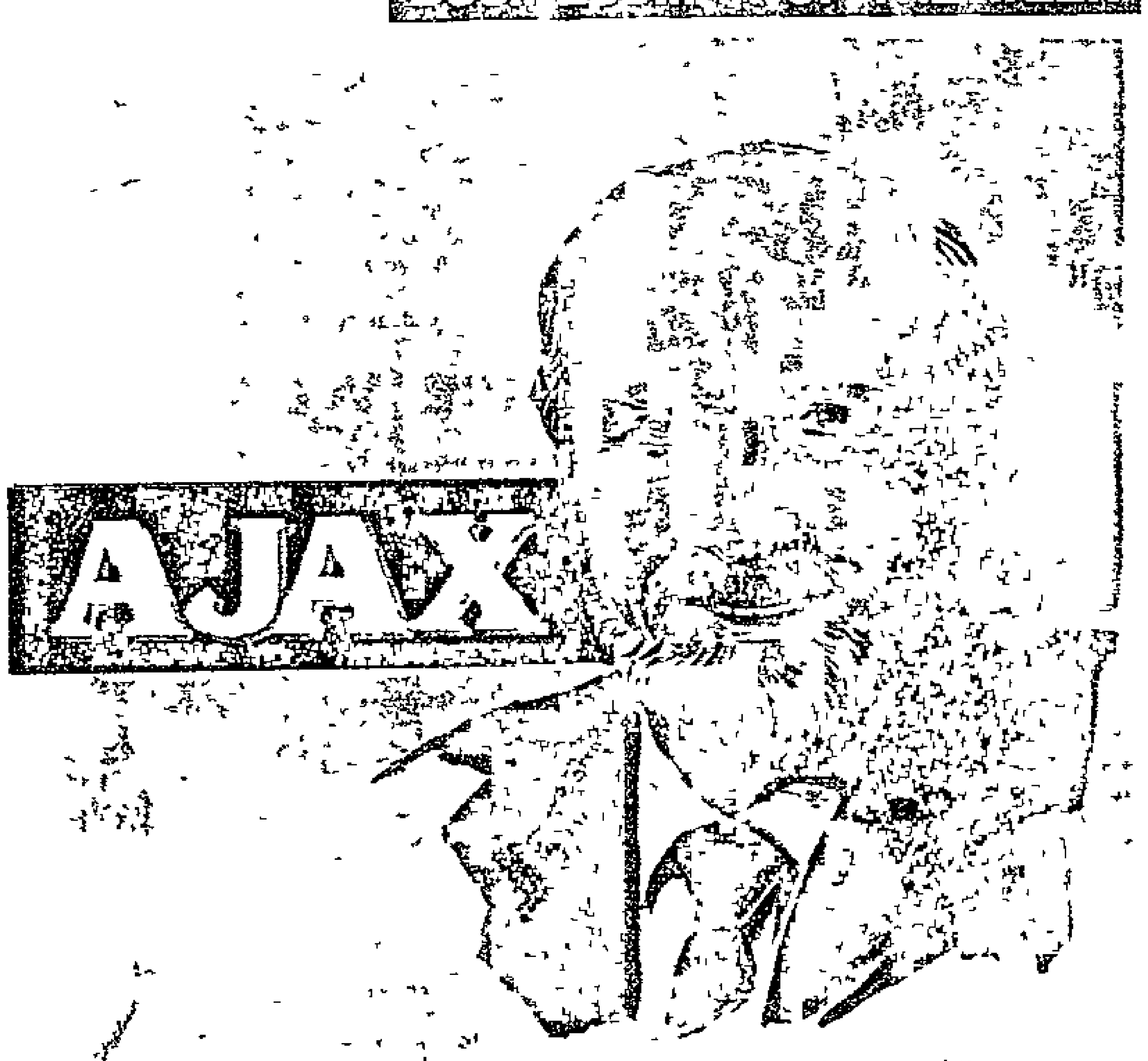
MANUFACTURING businesses in Cape Town are highly efficient and run by really clued up people, says Mr Charles Rowe, a manufacturer himself

They had to be, he added wryly, as they face many problems not encountered elsewhere in the country, and if they were not efficient they would not survive.

Mr Rowe is managing director of Ajax Manufacturing, which makes transformers, light fittings and aluminium castings.

He is also well-known to an older generation as a racing driver, winner of the Western Province modified Anglia championship in 1971 and the Western Province Formula Ford championship in 1974.

But he stopped racing after that. One reason is that he married in 1974. Another was that his firm had told him that if he wanted a future in the company he would have to stop



Charles Rowe "city manufacturers clued up for survival"

DANGEROUS

But motor racing is not dangerous, he maintains, and he still attends most of the meetings.

Mr Rowe is also known in Cape Town business circles for being one of the first people to arrange a management buyout of his company from its American shareholders.

His family had been associated with Ajax for many years, he said, and he joined it in 1969

He stayed on when the business was sold to the British company, Tube Investments, in 1971 and also when General Electric became the owner in 1976 after acquiring a stake in Tube Investments.

In 1985 General Electric decided to sell the company and offered it to Mr Rowe at its net asset value.

"It was not primarily a political move," said Mr Rowe. The political connotations were secondary

General Electric was selling off its manufacturing concerns world wide.

A factor which had possibly influenced them was a report that the company would need R5-million to R6-million spent on it to put it on its feet."

Since the buy-out Mr Rowe has been upgrading the machinery and has also adopted a more aggressive marketing policy which has resulted in a 170 percent increase in the general die-casting side of the business in the past two years

"We have also tightened up on productivity

"We inherited a union agreement which has put us considerably ahead of the market in benefits and hourly rates which also forced us into a productivity drive."

This brought Mr Rowe, who is on the executive committee of the Cape Chamber of Industries and senior vice-president of the Cape Institute of Industrialists, to the problems of being a manufacturer in the Western Cape.

Trade unions were active in the Western Cape and employers in the metal trade and other industries as well were having to pay more than firms in the north, which meant that the Western Cape would have to increase its labour productivity

But while manufacturers in the Cape were becoming less competitive the main market for most goods remained in the Transvaal, he said.

"We have to compete there. You are asking someone to buy something which is 1600 km away when he can get it down the road

"The buyer has to have real justification for ordering it, and it is difficult doing this on price so it has to be on quality and service"

Mr Rowe said he saw only slow growth ahead for manufacturing in the Western Cape, and with the influx of

(To Page 2)

BUSINESS

W Cape's future is hi-tech

(From Page 1).

blacks this could lead to serious unemployment

"There is not enough encouragement for industry to grow and provide jobs for the influx of labour"

Mr Rowe believes that the future of manufacturing in the Western Cape lies in the 'hi-tech' field owing to the better educated class of worker

But in view of the need for clued up employers, the innovativeness and ingenuity of businessmen, in other words new products, also seems a major factor

A new product has helped Mr Rowe secure a substantial order from the Railways

It is a new type of bulkhead lightfitting with special screws which make it difficult to steal and it will be fitted into all new coaches.

But it is too expensive to do your own reseach and development, he says.

So Ajax's future grow lies in using other people's research and in manufacturing new products under licence

Board to hear dispute

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Sowetan 30/11/87

THE Conciliation Board meeting to resolve the wage dispute between Ellerines and its employees resumes tomorrow.

A Ccawusa official, Mr Jackie Masuku, said an informal meeting between the union and management ended in a stalemate last week.

Ccawusa members demand — among other things — an across-the-board R200-a-month increase and a minimum wage of R550 a month. In response, management has offered R94 to all employees and a R425 to R689 a month minimum wage to its non-sale employees

STT Top 100 Companies Survey 6/12/87

(180)

By Don Robertson

What clouded prospects for industrial recovery

THE industrial year has been one of fluctuating fortunes

Labour disputes, continuing high inflation rates, job shortages and a general lack of confidence in the future have clouded what could have been the beginning of a substantial economic recovery

But, with the gross domestic product (GDP) expected to reach no more than 2% this year, company profits have been soaring

The blue chip industrials have reported profits which, on average, are at least 50% up on last year and, in spite of the low 1986 base from which they have risen, they have been generally well received

But whether they can be maintained is the all important question

Steve Anderson, newly appointed executive director of the Federated Chamber of Industries, expects the GDP to rise by 3% next year, but he fears that this will not be sufficient to encourage further investments

Lack of confidence is the major problem in our stop-start economy and, until some clear guidance is given, it is unlikely that the economy will really take off

A solution says Mr Anderson, is to encourage the small businessman to re-enter the market both in the formal and informal sectors.

Industry sources, however, believe that Government expenditure must be drastically trimmed, new tax structures as proposed by the Margo Commission must be introduced and inflation must be cut

Inflation remains the major bugbear It is considered to be the most serious unresolved position in the economy at present

In February Lawrence McCrystal, chairman of the revitalised Board of Trade and Industry, said "The inflation we have now is neither a monetary phenomenon nor demand induced It is the aftermath of the past and there are well developed mechanisms in the economy to keep propogating the effects of past events

"Given the choice between doing nothing and taking direct action by way of a prices and incomes restraint, we would favour the latter"

But nothing has been done and the current inflation rate, although at a slightly lower level than the 18% seen earlier in the year, continues to erode SA's competitive export position

A further development has been a move to promote "inward industrialisation" to counter sanctions and replace imports With increasing disinvestment, many bright entrepreneurs have taken the opportunity to take on additional product ranges Management buy-outs have also become a common occurence

But Mr McCrystal has warned industrials to get their house in order within two years

In a new get-tough attitude, the Board of Trade and Industry says it is to restructure the total industrial development programme with a major export drive

"If industry does not make a contribution within two years, we will tell them we can no longer go on protecting them," says Mr McCrystal

He warned that Industry must:

- Make a positive contribution to the economy
- Increase local content
- Increase local market share vis a vis imports
- Improve export achievements

In spite of the disinvestment problem, technological connections have been kept open and this is vital to SA's future

Mining remains the basis of the economy and this sector, at least, has been on the up, mainly because of the lower rand, which means increased rand earnings

However, manufacturing has contributed a greater share to the GDP than mining in the past few years But this sector has risen only marginally since 1973 — from 21% of the GDP to 22% in 1985 — while mining has risen from 6% to 16%

Productivity has been a major problem this year, but industry has taken the opportunity of moving ahead rapidly in this field The recession has shown many companies that productivity can be maintained with fewer workers

Decentralisation has also been a matter of contention and Government is now having a close look at the situation

Industrial disputes have also caused consternation, and it can be expected that union demands will be tougher next year At the same time, employers' attitudes are hardening

S T TOP 100 COMPANIES SURVEY

THE TOP 100 OF 1987

(180)

No		ALL IN RETURN (% PA) OVER 5 YEARS
1	Waltons Stationery Company	93,6
2	Metair Investments	78,3
3	New Bernica	70,3
4.	Rustenburg Platinum Holdings	70,2
5.	Edward L Bateman	66,9
6.	Johannesburg Consolidated Investments	63,8
7	Allied Technologies	62,8
8.	Mutual & Federal Insurance Co	61,5
9	General Tyre and Rubber Co	61,2
10	W&A Investment Corp	61,2
11	Rembrandt Group	60,2
12	De Beers Consolidated Mines	59,0
13	Impala Platinum	58,6
14.	Suncrush	58,4
15	Anglovaal	57,8
16	Irvin & Johnson	57,5
17	Toyota	56,2
18	Trencor	54,6
19	SA Bias Holdings	54,1
20.	Trans Hex Group	53,8
21	Guardian National Insurance Co	53,7
22	Saficon Investments	52,8
23	Middle Witwatersrand Areas	51,7
24.	Trek Petroleum	51,3
25	Tiger Oats	50,9
26	Sage Ltd	50,8
27	Loraine Gold Mining	50,7
28	Protea Assurance	50,3
29	Chemical Services	50,2
30	Desmond Bolton Industries	49,8
31	Seardel Investment Corp	49,0
32.	Cadbury Schweppes	48,9
33.	Duiker Exploration	48,5
34	Anglo American Corp	47,8
35	Randfontein Gold Mining	47,6
35	Chubb Holdings	47,6
37	Sea Products SWA	47,5
37	Plate Glass & Shatterprufe Industries	47,5
39	Vaal Reefs Exploration and Mining	47,3
40	Eastern Transvaal Consolidated Mines	46,9
41	Liberty Life Association	46,6
42	Utico Holdings	45,7
43	Hartebeesfontein Gold Mining	45,6
44	Kinross Gold Mining	45,3
44	Kloof Gold Mining	45,3
46	Northern Engineering Industries	45,1
46.	Elandsrand Gold Mining	45,1
48.	South West Africa Fishing Industries	44,9
49.	Consolidated Modderfontein Mines	44,7
50	Western Deep Levels	44,6
51	West Rand Consolidated Mines	44,2
52	SA Breweries	43,7
53	Progress Industries	43,2
54	Power Technologies	43,1
55.	Gold Fields of SA	43,0
55	Mathieson & Ashley	43,0
57.	Oceana Fishing	42,6
57	McCarthy Group	42,2
59	Pretoria Portland Cement	41,8
60	Foschini	41,6
61	Afrox	41,2
62	Picardi Investments	40,8
63	Commercial Union of SA	40,4
64	Masonite	39,9
65	Blue Circle	38,8
65	Sappi	38,8
67	Anglo-Alpha	38,6
67	Standard Bank Investment Corp	38,6
69	Argus Printing & Publishing	38,5
70	Edgars	38,1
71	Anglovaal Industries	37,9
72	Imperial Cold Storage	37,7
73	Harmony Gold Mining	37,5
73	SA Eagle Insurance Co	37,5
75	Tollgate Holdings	37,1
76	CNA Gallo	37,0
77	Incorporated General Insurances	36,9
77	Lion Match Co	36,9
79	Gold Field Properties	36,3
80	Times Media	36,2
80	Berzack-Illman Investment Corp	36,2
80	Gypsum Industries	36,2
83	Rand Mine Properties	36,0
84	Sasol	35,5
85	Santam Insurance Co	34,9
86	Libanon Gold Mining	34,8
86	Associated Furniture Companies	34,8
88	Everite	34,6
89	TW Beckett & Co	34,5
90.	Pick 'n Pay Stores	34,2
90	Cementation Company	34,2
92	Afrikaanse Pers	34,1
92	Fraser Alexander	34,1
92.	Deelkraal Gold Mining Co	34,1
95	Ellerine Holdings	33,9
96	CBD Property Fund	33,8
97	Clicks Stores	33,2
98	General Mining Union Corp	32,9
99	Bracken Mines	32,8
100	SM Goldstein	32,7

* AAR Capital gain plus all dividends paid in 5-year period to end-August 1987 expressed as average compound return pa on initial investment

(180)

Pinpointing the top sprinters

MANY companies have delivered spectacularly for shareholders in the past year — even after the slump

This table shows the greatest sprinters of the year

It is calculated over one year the same way as the five-year table on which the official Business Times rankings are calculated — share price appreciation plus dividends as a percentage return on the opening investment.

Unlike the five-year table the one-year table was calculated after the slump — on November 4 to be precise

The table shows that the best company gave shareholders a return of more than 500% on the year

And even the 100th company did its holders proud

By DAVID CARTE

returning 67% in the year

No fewer than 48 companies doubled shareholders money in the year

Before the crash nearly every share would have beaten inflation

After the crash 284 counters gave a return of more than 18% and 205 failed to match that benchmark

As may have been expected in the short haul recovery and special situations made the running

One would not expect Bruce Fordyce to win a sprint

The one year table bears little resemblance to the five year table Waltons for instance is ranked below 250th having yielded only 16 4% on the year

This reflects that the major re-rating in Waltons took place more than a year ago

"Good marathon runners such as W&A, Toyota and Suncrush are shown to be excellent sprinters as well Had this table been extracted before the crash New Bernica would have been prominent but it took something of a pounding late in October

The sprinter of the year was Mathieson & Ashley holding company for Winky Ringo's high performance office furniture company Dashing Shareholders invested for the year received a return of 506%

This share was boosted by excellent results and prospects after several years in the doldrums It was also helped by control switching from Lionel Jossel to Mr Ringo and Mr Bill Venter s acceptance of a seat on the board

Next fastest runner was W&A Investors in this stock achieved a return of 440% in a year Good performance and the prospect of earnings of more than R7 were important in the rerating of W&A

So of course was Jeff Liebesman s successful bid for control via top company Waicor

Had holding companies been left in the rankings Waicor would have been the sprinter of the year The cash offer of R35 underpinned Waicor after the crash It provided no such protection for W&A holders who did well on the year anyway

Bradlow benefited by lower interest rates a sensational improvement for furniture dealers — and of course its association with W&A which is maximising shareholder wealth through greater efficiency in the branches

Berzack Illman was another spectacular operational performer returning 314% for one-year shareholders

Mended

The strangely constituted family conglomerate which makes electric cables and plastic containers and imports sewing machines among many other activities had gearing disclosure and dividend policies similar to those of Philip Frame

It paid about as little attention to minority shareholders as Frame did in the bad old days

Now like the Frame Group it has mended its formerly arrogant ways A second generation of Young Turks has taken over from the old guard and employed professional management methods

Berzack s profits have improved from the pits and as it is one of the major players in a recently rationalised cable industry great things are expected of it

Best new listing in the one-year race has been Furniture Faire

Fintech has been in Bill Venter s Altron group for just over a year and shareholders have benefited with a 270% return It would have been one of the best five-year performers as well but had to be excluded because it changed its nature and was a cash shell for a time

Having acquired Xerox Roneo Alcatel and Punch Line which in turn has taken Sequel the retail computer shop plus Computer Sciences Fintech is to become the Venter group s computer arm

Jeff Liebesman s FS Industries was just a little scaffolding company five years ago With National Bolt and IFM under its belt it is SA s biggest nut and bolt company Form Scaff and Natbolt have been extremely successful as exporters

With the rand so low exports have done wonders for profits and the stock market rating

After the successful R227-million bid for Waicor FS Industries emerges as a powerhouse on the SA industrial scene with shareholders funds of R600-million.

☐ To Page 19

TOP 100 — ONE YEAR

No		DCF YLD %	No		DFC YLD %
1	Matheson & Ashley	506 1	51	I C S	95,2
2	W & A Investments	440 0	52	Sable	94,6
3	Bradlows	358 2	53	General Erection	94,1
4	Berzack Illman	313 6	54	Valard	93,7
5	Furniture Faire	293 8	55	Jade	93,2
6	Fintech	270 5	56	I & J	92,0
7	F S Industries	252 0	57	Quality Tyres	91 8
8	Group 5	247 8	58	Blue Circle	90 7
9	Toypta	228,4	59	M & R	89,0
					88,9
					87 9
					87 8
					87,5
					87.5

48 COMPANIES DOUBLE

Sprinting ahead of the field

(180)

ST. 6/12/87

☐ From Page 2

Group Five was another special situation It was rescued with the help of Stan Goldstein from the jaws of M&R by managing director Peter Clogg and his management team

Toyota has been Business Times top company six times but forex losses and an appalling motor climate pushed it down the five year rankings over the past three years

Now with motors on the mend, it is back in vogue and over one year gave shareholders a return of 228%

Before the crash, in the extreme short term — a period of months after their listings — Gordon Polovin s high flying Columbia Ed Dutton s Interboard, Barry Schechter's Punch Line and Ronnie Price s Eureka, Eurefin and Computermatic were the best sprinters The crash changed all that

The worst return on the year was in Computermatic, whose share price dropped from 525c to 220c, to give a negative return of 56% Eureka another Ronnie Price company returned minus 42% on the year

Other wooden spooners over a year were Oceana (-50%) Landlock (-48%) and Glomine (-46%)

Ronnie Price is not worried about the slump in his companies' ratings The market capitalisation of his four companies slipped from R300-million to R153-million in a year

He reckons the asset base and the earnings prospects are as bright as ever and he'll show the market eventually While his operational results were not outstanding, he did one inspired deal in the year, selling half of Sequel to Fintech for R22-million — a capital profit of R20-million — days before the great crash

In the meantime, he is in reasonable company at the bottom of the one-year table Highly regarded companies such as SPL Joshua Doore, Boltons Rusplat, Randfontein and even Liberty gave negative returns for the year

Roneo Alcatel and Puncn Line, which in turn has taken Sequel, the retail computer

ties—was just a little scaffolding company five years ago With National Bolt and

with the rand so low, exports have done wonders for profits and the stock market

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☐ To Page 19

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3	Bradlows	358,2	53.	General Erection	94,1
4	Berzack Illman	313,6	54.	Valard	93,7
5	Furniture Faire	293,8	55.	Jade	93,2
6.	Fintech	270,5	56.	I & J	92,0
7	F S Industries	252,0	57	Quality Tyres	91,8
8	Group 5	247,8	58.	Blue Circle	90,7
9.	Toypta	228,4	59.	M & R	89,0
10	Frencor	208,5	60.	Burlington	88,9
11.	Power Technologies	193,3	61.	Metkor	87,9
12	H L H	191,4	62.	Spectrum	87,8
13	McPhail	189,3	63.	Unidev	87,5
14	Duros	188,1	63.	Welfit Oddy	87,5
15	I G I	185,0	65.	Edgars	87,3
16	Utico	182,2	66	Midwits	87,1
17	Gentyre	181,6	67.	Laser	86,8
18	Ninian & Lest	176,4	68	Brian Porter Holdings	85,0
19.	Putco	175,0	69.	Times Media Limited	84,9
20.	Ozz	159,8	70	Salters.	84,8
21.	P G A	156,5	71	Spur	84,7
22	Picbel	155,9	72	Steelmetals	84,6
23.	Reunert	155,4	73	Mhangura Copper Mines	84,2
24.	C F C	154,7	74	Burad	84,2
25.	Chubb	146,2	75	Bonuskor	83,6
26	Boymans	145,4	76	Portland Holdings	83,0
27.	Delswa	141,4	77	JHB Mining & Finance	81,4
28.	Fabric Library.	138,0	78	Grinaker	81,2
29.	General Optical	134,3	79	Trust Bank	81,1
30.	Rentmeester Beleggings	133,6	80	Sakers	80,2
31	S M Goldstein	133,3	81	Gubb & Inggs	80,0
32	Ensign	132,4	82	Saficon	79,8
33	D & H	130,8	83	McCarthy Group	79,6
34	South Atlantic	119,7	84	Village	79,0
35.	Berkshire	119,5	85	Interboard	78,3
36	seardel	118,5	86	Protea Assurance	78,0
37	S A Bias Binding.	116,5	87.	Lion Match	78,0
38.	Suncruch	112,2	88	P P C	77,4
39	Federale Volksbeleggings	111,2	89	I G I Life	76,9
40	Elcentr	109,0	90	Tomkor	74,4
41.	Tarry	108,4	91	Adcock	73,4
42.	Sterns	108,3	92	Santam	73,0
43	National Bolt	108,2	93	Foschini	71,4
44	Hunts	104,2	94	F S Zaaiplats	70,9
45	Wit Deep	103,1	95	Rex Trueform	69,3
46.	Anglovaal	102,7	96	T & N	69,3
47	G I C	101,8	97	Omnia Holdings	69,2
48	Sentrachem	100,0	98.	Pointer	69,2
48	World	100,0	99.	Tollgate	67,7
50	Afrikaanse Pers	96,4	100	Marshall	67,3

would have seen his investment grow to R181 000.

New Bernica has streaked since its founder, Arnold Wit-

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BUSIN

ECONOMY

NEWS 9/12/87

Soaring profits seen for industrial firms in 1988

From SVEN LÜNSCHE

JOHANNESBURG — Profits of industrial firms will continue to soar in 1988, after rising by 30 percent in 1987, based on an expected upturn in manufacturing production to meet increased consumer demand

The volume of manufacturing production for September 1987 showed a seasonally adjusted increase of 2 percent compared with August 1987 Department of Central Statistics' figures also indicate that during the first eight months of this year, production improved by 3,5 percent over the comparable period in 1986

The only dark spot was a slight downturn in the volume of production in the second quarter this year, when numerous public holidays and strikes affected output seriously.

Economists are optimistic that the upward trend, that started in earnest during the second quarter of 1986, could extend well into 1988

Says Mike Daley, chief economist of Southern Life "As private consumption expenditure increases, wholesalers, retailers and suppliers will continue gearing up towards the expected rise in demand and we could see healthy increases in manufacturing production"

In a recent economic report brokers Menell, Jack Hyman, Rosenberg wrote that in 1988 the volume of manufacturing production was expected to grow at an almost identical rate to 1987, namely 3 percent, with some sectors growing in excess of 5 percent

The Econometrix research institute is forecasting that production will rise by 2,7 percent in 1988, after reaching a peak of 4,8 percent during the second quarter of the year.

Further evidence of the renewed strength of companies in the manufacturing sector is a substantial pick-up in the utilisation of production capacity The percentage utilisation in August increased by 2,9 percent compared with August 1986

For the industry as a whole the figure has now moved to 80,6 percent, with some semi-durable sectors reaching 85 percent utilisation According to Old Mutual's economist David Mohr "This bodes well for renewed investment in that area, especially if an increase in consumer spending materialises"

But there is still room for futher improvement and this could well derive from the expected strong company earnings, with the subsequent move towards higher stock levels

Aggregate real inventories in the South African economy have already exhibited a small increase of about R300-million in the second quarter of 1987, after dropping to levels of R1,5-billion in the previous two quarters

The overall rise in the book value of inventories, however, did not prevent a decline in the ratio of all inventories to gross domestie product to a record low figure of 31,5 percent in the second quarter of this year, a figure that, according to Mr Daley, "can only improve in the next few months"

18/12/87 FM

MANUFACTURERS (180)

Clawing forwards

For the first time in five years — 20 Stellenbosch Bureau for Economic Research (BER) surveys — the manufacturing sector has reflected optimism, "assessing current business conditions as being satisfactory"

The response comes from 1 123 manufacturers On the vital question of new investment in 1988, no fewer than 49% answered that it would be higher than in 1987, and only 19% lower BER interprets this as good news, particularly for the building industry — especially non-residential buildings

Some 60% of respondents said sales were better for the fourth quarter of 1987 than a year ago, and expected the same for the first quarter of 1988 But 67% still had idle capacity While numbers of employees are seen to remain static in the two quarters to March 1988, retrenchments have stopped And a net majority of manufacturers reported that stocks of finished goods are too low in relation to expected demand This was especially noticeable in the motor industry and related sectors

A small net majority expects a *higher* rate of inflation next year, with particular pessimism in footwear, furniture, rubber products and machinery A majority also expects higher interest rates, and a deterioration in the rand/dollar exchange rate

From a series of answers concerning prices, BER concludes that "many manufacturers intend putting up prices at a faster rate than before" For example, 72% of respondents reported a higher-than-a-year-ago *rate* of increase in selling prices during the last quarter of 1987 For the first quarter of 1988, the forecast is higher at 76% On what could hamper activities, 57% said "not at all" to sanctions, 56% "slightly" and 20% "seriously" (total 86%) to current general political policy, and 76% "not at all" to current short-term interest rates

Sectors most affected by a shortage of skilled labour were furniture, printing and publishing, machinery and transport equipment Sanctions were most felt in textiles, printing and publishing and rubber products Those sectors showing the greatest level of confidence include wood and woodproducts, footwear, textiles, printing and publishing and furniture The least confident include knitted fabrics, non-metal mineral products, fabricated metal products, chemicals and electrical machinery In each sector more than 50% of respondents "suggested that political policy is hampering them in their economic activity" ■

MANUFACTURING GENERAL

FEBRUARY – DEC

1988

IDC's low interest scheme

Cape Times 8/2/88 180

Cash injection of R1bn for industry

Own Correspondent

JOHANNESBURG. — The Industrial Development Corporation's (IDC) weekend announcement of a new low (5%) interest scheme will mean a huge cash injection of about R1bn for industrial development over the next ten months.

Timed to coincide with President PW Botha's economic policy announcement, the IDC move will also help create 25 000 new jobs and put R300m at the disposal of medium-sized independent industrialists immediately.

IDC GM Carel van der Merwe says the scheme is aimed at promoting new investment directed at import replacement, exports and job creation.

"Investment of R1 by the IDC normally means R3 in total. For every R1 we spend you can expect another R2 to come from the private sector — banks and institutions will supply services such as working capital. Quite a few big loans application people, who have been hedging their bets in the past few weeks, will now come into the picture."

"We view this as a major step, especially with rising interest rates. The scheme will be made available to independent industrialists or groups with total assets (fixed assets plus current assets) of up to R50m at the time of application.

It is intended primarily for new manufacturing projects that will create new or additional jobs and projects that will create new or additional capacity to generate sales of which at least 30% is directed towards import replacement or exports

The IDC also emphasizes that loans will be granted on the proviso that the applicant's funding structure is not unreasonably strained — not less than 30% owners' funds to total assets after the expansion.

Interest at 5% a year will apply for the first three years, provided 60% or more of the expected sales from the project will be directed towards import replacement and/or exports

After three years the borrower can choose between the IDC's then prevailing fixed or fluctuating interest rates, but at no time will the rate exceed 14%.

In cases where less than 60% but more than 30% of new sales will be directed at exports or import replacement, half of the loan will be made available at the 5% scheme and the balance at normal IDC rates for the full term of the loan.

The scheme is intended to support the independent medium-sized manufacturer, as they are not in the same position as large industries to negotiate more favourable interest rates.

Small businesses active

SA export potential 'improving'

Cape Times 2/2/88

180

By AUDREY D'ANGELO
Financial Editor

SA's production base is broadening, and firms turning to import replacement are manufacturing goods with export potential, Wolfgang Thomas, deputy area manager of the Small Business Development Corporation (SBDC) pointed out last night

Dismissing suggestions that the export market is too expensive and difficult for small businesses to get into, Thomas said "That is where the challenge lies"

Lucrative

There were already more small businesses active in the export market than many people realized But, because it was lucrative, "some of the big firms try to keep them out"

Discussing recent warnings by other economists that the downturn overseas has killed hopes of an increase in exports from SA this year, Thomas — a former professor of economics at the University of the Western Cape — said this was more likely to affect large manufacturers

Small firms were still likely to be able to pick up a few orders overseas which would be good business for them

Thomas was speaking at the end of a small business forum in which clothing manufacturer Mike Fenner-Solomon, MD of Helenel, Francine Beudiker, regional manager of the SA Foreign Trade Association (Safto) and Gerrie Barnard, senior manager, corporate banking services, at the Trust Bank, gave advice to potential exporters

In answer to suggestions from people in the audience, Thomas said the SBDC was in favour of several firms sharing one stand at overseas exhibitions or at the annual Design for Living exhibition in Cape Town, in order to cut costs

Fenner-Solomon said SA manufacturers, accustomed to a fairly small domestic market, were more flexible than those from some other countries and this gave them an advantage Some of the major manufacturers in the Far East were interested only in orders for thousands of units at a time

But, he warned, it was vital that everyone in a firm was interested in entering the export market And some initial orders had to be very small indeed but were worth getting in order to gain an entry to an overseas market

He also advised firms to remember their main market would always be in SA, and not to export more than 25% of total production "There are so many factors including the exchange rate which can change the situation and turn a profit into a loss"

Competitive

And he advised against trying to make a big profit in the early stages in spite of the weakness of the rand, which made it easier to be competitive

Barnard said there were "ways of getting round sanctions" — and his bank could help

But Beudiker warned that it was "highly dangerous" to attempt to evade US sanctions There were still goods which could legally to exported there

Pointing out that entering the export market cost money, she said it was wiser first to expand in this country Longer production lines meant lower unit costs

MANUFACTURING (180)

Spectacular SA

We're a short-sighted lot, in SA We must be — local companies manufactured nearly 900 000 spectacle lenses last year to help us see where we're going

We're also becoming less conscious of our appearance That's the simple conclusion to be drawn from the fact that production of clothesbrushes and shoebrushes fell sharply last year Or perhaps it's just that we can't see far enough to notice the jacket hairs and scuffed shoes

Clothesbrush manufacture fell to 106 000 last year from 140 000 in 1986, and shoe-brushes, from 1,4m to 1,2m.

The figures are included in latest government statistics on SA's manufacturing activity

SA last year manufactured 375 000 rings, 220 000 earrings, 39 000 bracelets, 455 000 brooches, 112 000 necklaces and 255 000 cut and polished diamonds. While many went for export, the figures suggest we're not entirely disinterested in our appearance.

The figures also make it clear how much of a blow office furniture makers took last year They built 131 000 chairs, compared to 214 000 in 1986, while cabinets fell from 185 000 to 65 500 and tables from 3 500 to 2 800

South African industry . . . more productive than many people realise

The trend in small domestic furniture went the other way — tables from 53 000 to 71 000, chairs from 244 000 to 314 000 — but production of bigger items fell, for instance dressers from 42 000 to 37 000

Production of large electrical goods remained strong, with South African companies producing 17 000 electric fridges, 81 500 freezers, 113 000 fridge-freezers, 44 000 washing machines, 146 000 electric stoves, 274 000 portable radios/record-players, 84 000 black-and-white TVs and 147 000 colour sets.

To keep us and our cars on the roads last year, local components makers built 430 000 clutch assemblies, 670 000 brake drums, 440 000 disc brakes and 5,6m brake pads

Where most official figures — such as production capacity use — offer only a general idea of manufacturing activity, these latest ones tell us exactly how busy certain industries are

Some of the figures also help to explain SA's predicament. If we manufacture even more spectacle lenses, maybe soon there will be enough for the politicians to see where they are leading us. ■

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Govt urged to boost electronics industry

LINDA ENSOR

GOVERNMENT should urgently provide the local electronics industry with incentives to stimulate growth.

So says Altron's technology group executive David Jacobson, who last year led a delegation of industry leaders on a tour of the Republic of China (ROC).

"The key to the success of the ROC in electronics is government's willingness to be the 'enabler'," Jacobson says in a report submitted to several government ministers and businessmen.

The aim of the tour, sponsored by the CSIR, was to learn from an industry viewpoint the reasons for the ROC's phenomenal success — as the world's seventh largest exporter of electronics products — in this field.

Jacobson says "By putting in place a wide range of incentives, government encourages the electronics industry to expand. This broad principle, which to a greater or lesser extent has been used in all 'electronics countries', must be accepted in SA."

Jacobson recommends several tax concessions as encouragement:

☐ A three- to five-year tax holiday for new enterprises,

☐ Exemption from tax, customs and excise duties for all imported machinery and equipment used in developing and manufacturing electronic goods,

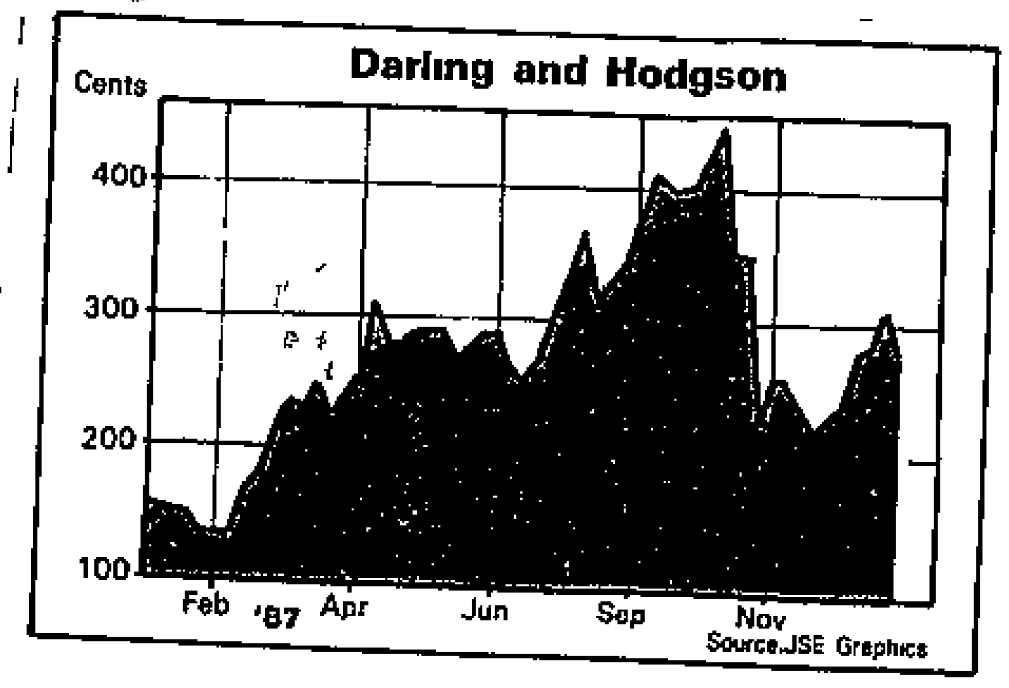
☐ A higher rate of depreciation for machinery and equipment used in manufacturing electronic goods,

☐ Expenditure on design/research and development (R & D)/technological development should be twice deductible, first as a normal expense as is currently the case, and then as an incentive.

If government upholds the Margo Commission's opposition to tax concessions, Jacobson proposes the tax benefits be paid to the company rather than deducted from its tax bill.

In addition, he recommends low interest loans and direct support — up to 50% — for R & D or technological development. He proposes closer co-operation between research undertaken by the industry and the CSIR.

One of his recommendations has already been agreed to in principle by CSIR — that CSIR research in micro-electronics address the requirements of the SA Micro-electronic Systems Pty (SAMES), the only producer of integrated circuits in the country.



D & H (180) FM

Growing fast 29/1/88

Activities: *Industrial holding company with investments in Blue Circle and a property development*

Control: *Malbak has 55%*

Chairman: *H F Brown*

Capital structure: *60,6m ords of 25c each Market capitalisation R182m*

Share market: *Price· 300c. Yields 2,6% on dividend, 18,3% on earnings, PE ratio, 5,5, cover, 6,9 12-month high, 460c; low, 135c Trading volume last quarter, 1,1m shares*

Financial: *Year to August 31*

	'84	'85	'86	*'87
Debt				
Short-term (Rm)	13,9	15,1	4,8	5,3
Long-term (Rm)	126,7	132,8	62,8	—
Debt equity ratio	0,88	1,77	1,37	—
Shareholders' interest	0,36	0,23	0,22	0,96
Int & leasing cover	1,9	0,05	—	2,22
Debt cover	0,30	0,05	0,08	2,76

Performance

	'84	'85	'86	'87
Return on cap (%)	11,6	—	—	12,3
Turnover (Rm)	770	660	697	365
Pre-int profit (Rm)	51,7	(0,1)	(6,4)	28,8
Pre-int margin (%)	6,7	—	—	7,6
Taxed profit (Rm)	26	(21)	(6)	12
Earnings (c)	80	65	(14,6)	34,7
Dividends (c)	48	—	—	5
Net worth (c)	445	290	199	369

* 8 months

Darling and Hodgson (D & H) had a busy eight months to end-August, the latest reporting period and, with two acquisitions in the current financial year, there seems to be no let-up The company which is now emerging, says chairman Hugh Brown, will remain in the building and construction sector as a supplier of products to these industries, concentrating on manufacture and supply.

The holding in Group Five was sold, realising a R13,5m profit and the July rights issue raised another R71,3m. With the balance sheet further strengthened by conversion of preferred ords into ords and after repaying debt of R62m, D & H still had cash of R29,9m in August The purchases of pipe manufacturer Rocla and the locks, door furniture and insulation panel businesses of Solid Manufacturing for R37,5m cash and 4,25m shares quickly absorbed it.

Brown says the additional funds required were borrowed, which suggests that debt has risen to around R12,9m, but this still leaves the group very under-geared, with debt·equity around 6% Brown says the group will look for new acquisitions, as well as digesting the recent changes

A major development was the change of control, D & H was one of the companies sold by Gencor to Malbak. Rocla and Solid were both bought from Malbak subsidiaries

D & H has retained its investment in Blue Circle, whose increased profits were the main reason for improvement in D & H's results for the eight months EPS rose to 64c (12,3) for the six months to June and Blue Circle is forecasting 140c for the whole year. Group Five enjoyed a turnaround for the same period from an attributable loss of R9,4m to R5,7m profit.

At the acquisition of Rocla and Solid, it was announced that earnings would have been 44% higher had the transactions been in effect for a full year. If the same is true of the current year, EPS should rise to about 50c, but Brown says that Solid is producing a lot of new products, supplying previously imported components. With these and the continued improvement in Blue Circle, plus further acquisitions, the forecast of 50c should be very conservative, especially as D & H has assessed losses of R40m.

With the share on a 2,6% dividend yield, though with 6,9 times cover, some of the good news has already been discounted. But, with further plans for the group and the appointment of Richard Bruyns as the new MD, there should be more to go

Pat Kenney

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WE Tiap 28/1/88

Tough new regulations in force on asbestos use

Own Correspondent

TOUGH new regulations governing the use of asbestos, promulgated in October 1987, have been incorporated into the Machinery and Occupational Safety Act.

The regulations cover the use of asbestos in raw material form and the processing of materials containing asbestos.

Contravention of the regulations carries a maximum fine of R1 000 or six months imprisonment, as well as an additional R5 a day fine or further imprisonment of one day for every day that the offense continues.

Occupational safety legislation consultant Michael Klass, of Klass Looch Associates, said the regulations were an indication of the severity with which the Department of Manpower regarded the dangers of using asbestos.

Klass, who is an ex-prosecutor in the Safety Court, said employers who made use of asbestos or who processed material containing asbestos must monitor the amount of asbestos dust at the workplace to determine which regulations apply.

The regulations prohibit the spraying of asbestos, and lay down stringent procedures for the removal of asbestos from buildings.

Klass said employers would do well to remember that any disease or ailment caused by exposure to illegal emissions at the workplace in the case of third parties (not employees), could result in huge legal claims for compensation, as had been seen recently in the US.

CAPE TIMES 10/2/88 6 180

New-name Assocom 'true reflection'

JOHANNESBURG — The Association of Chambers of Commerce of SA (Assocom) has been renamed the Association of Chambers of Commerce and Industry of SA, the association's president, Alec Rogoff, announced at a press conference yesterday

The association is the largest employer organization in the country

Rogoff said Assocom's name was no longer a true reflection of the nature and character of the organization and its constituent chambers

"Formal ratification of this decision will be effected at a general meeting in May, when attention will also be given to the implications of any possible change to the acronym 'Assocom'," he said

"The association believes that its decision will help to eliminate possible confusion about its role and that of other employer bodies, especially as some 40 of its affiliated chambers, countrywide, are already designated as chambers of commerce and industry

"The latest development, here, has been the formation of the Witwatersrand Chamber of Commerce and Industries Further, at least 30% of Assocom's total membership is drawn from industry "

Rogoff said the proposed action "also confirms the desire of Assocom to promote further rationalization and co-ordination of effort on behalf of the private sector"

"Assocom's initiatives at effecting a merger with the Federated Chamber of Industries (FCI) have regrettably thus far not met with success and it is unlikely that a formal amalgamation will take place in the near future "

Rogoff said the re-named association would continue to co-operate with sister organizations on matters of mutual interest.

"Concurrent with the change in name, Assocom is creating new structures within its organization to address to an even greater extent the needs of all its members, both large and small

"In particular, the spheres of industrial standards, and water and energy affairs will be the focus of new committees within the association

"In taking these steps the association also wishes to ensure that it is properly geared to participate fully in the consultation process with the authorities at all levels

"This has become particularly significant in the light of the State President's recent reaffirmation of his desire to work closely with the private sector on the implementation of SA's long-term economic strategy and policies

"All these decisions have also been taken in the hope that they will facilitate rationalization of effort within the business community and eliminate unnecessary duplication of services wherever possible

"We hope it will make a positive impact on the perceptions of the business sector regarding the role of Assocom in policy-making in SA ", — Sapa

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Business Report

CCI president urges Assocom to think again

THE president of the Cape Chamber of Industries, Mike Getz, has seriously questioned the ability of Assocom to speak on behalf of industry, especially industry in the Western Cape, and has called on Assocom to think again as regards its designation as the body to speak for both commerce and industry.

In a written statement, Getz says it is important that there is clarity as to who speaks for whom in the business world.

"Confusion has been introduced and compounded by Assocom's decision to claim that it speaks for a significant industrial constituency and to so designate itself."

He acknowledges that the Chambers of Commerce can and do address issue of common interest, but when it comes to problems at national level or those which affect differently the interests of the commercial and industrial community, industrialists in the Western Cape turn to the CCI.

"The claim of Assocom that 30% of its affiliates include membership of the industrial sector must be viewed against the following background·

"The most recent government survey of economic activity in this region, indicates that the largest single sector of employment in both greater Cape Town and the Western Cape is industry which employs 24% of the total working population.

"Commerce, including catering and accommodation services, employs 15% of the economically active "

Engineering is the largest sector by establishment, while apparel and textiles are the largest employers in the Western Cape. Almost 60% of CCI members belong to these sectors

The Cape engineers and the clothing manufacturers are not only the two largest local employer organizations of industry, but are also significant regional groupings within their own national federations

"CCI is, therefore, exposed to industry and its viewpoint not only corporately and by sector at Western Cape level, but at national level too.

This reinforces in an important way the relations between chamber and individual members on matters of industrial concern.

Certainly without an involvement in the industrial employer groupings at national level it is difficult to see how the Chamber of Commerce movement can hope to represent its industrialist members at anything above the third level of government

"In seriously advancing itself as a voice of industry, Assocom must incur the costs of an appropriate infrastructure, which already exists elsewhere.

"This a wasteful and expensive duplication of effort·Is has added confusion and divisiveness to the SA business scene Assocom should think again "

JSE actuarie

10 Cape Times, Wednesday, February 17, 1988

FCI rejects Assocom, wants to go it alone

A FULL meeting of the board of management of the S A Federated Chamber of Industries (FCI) yesterday unanimously re-affirmed its belief that the interests of industrialists will continue to be best served by maintaining the FCI as a separate and independent body

The meeting was attended by representatives of all regional chambers and the national associations affiliated to the FCI

Independent body

The FCI's belief in the need for a strong independent body to represent the manufacturing sector is based on the following.

- The manufacturing sector is the largest single contributor to the national economy being twice that of commerce, and equal to mining and agriculture combined
- The FCI already represents the employers of some 60% of the 1,2m employees in the manufacturing sector, and its recently established Transvaal branch, replacing the expelled Transvaal Chamber of Industries, is showing by its rapid growth that many manufacturers do not want a joint body with commerce
- The FCI, following its restructuring and transfer from Pretoria to Johannesburg is in a very sound and improving financial position.

The need to avoid duplication of effort among organized industry, commerce and other bodies is, as previously announced, fully accepted, as is the need to contain membership costs, save the time of busy executives, and wherever possible have one spokesman on all matters of common concern

This, in the FCI's view, can best be achieved through the medium of the existing committee of presidents of AHI, Assocom, FCI, and SAAU, which could be expanded to include other similar bodies and could also rationalize and co-ordinate secretariat and sub-committee activities

The view expressed by Assocom that the "rooinekke" should "get their act together" is totally rejected by the FCI which is proud of the fact that its membership is extremely widespread, non-racial, from all language groups and includes both large and small undertakings

The FCI announced that group financial director of Barlow Rand, E M Groeneweg, has become the first president of the FCI's Transvaal branch

The president of the FCI, H Snyckers, yesterday confirmed the FCI's support for the state president's economic initiatives aimed at reducing inflation and the share of government expenditure in the national economy

The FCI and its regional chambers will urge members to exercise the maximum possible restraint in both salary and price increases within the overall need to maintain business viability

It was pleased to note that no wage freeze or maximum allowable percentage increase was applied to the private sector and that the collective bargaining process can still apply

Private sector

This will facilitate productivity improvement and industrial stability

The private sector has done much to improve efficiency and productivity in the recession of the last few years

These efforts will continue to help offset the effects of rising input costs and looming shortages of certain skilled and professional employees

Raymond Parsons, executive director of Assocom, declined to comment on the FCI statement — Sapa

- On Friday, Mike Getz, president of the Cape Chamber of Industries issued a similar rejection of Assocom as spokesbody for both trade and commerce saying that "Assocom should think again".

91 AIDS cases

PRETORIA — Out of a total of 91 South Africans, mostly homosexual or bisexual men, diagnosed as AIDS cases, 59 have died, the Department of National Health announced yesterday.

REPORTS Own Correspondents and Sapa-Reuter

Achib calls for jobless to take up hawking

THEO RAWANA

THE African Council of Hawkers and Informal Business (Achib) has called on all unemployed to look to hawking as an employment option rather than accept hand-outs

Achib was reacting to Operation Hunger's estimate that it would have to feed 1,2-million people this year because of the high unemployment rate and lack of opportunities for unskilled workers.

Achib believes many people can be absorbed into hawking, earn a good living and start a cycle of entrepreneurship within their families

Achib general secretary Nomsa Makae said· "It takes only R135 to set up as a hawker and this money can be paid back within a week."

BDay 8/3/88

Ccawusa still split into two factions

BDay 8/3/88

ALAN FINE

ONE of the two factions in the Commercial, Catering and Allied Workers' Union (Ccawusa) refused on Sunday to take part in the Johannesburg branch AGM, confirming that January's court agreement has not healed union divisions.

The branch AGM was one of eight to be held in terms of the court settlement. Delegates elected at the gatherings are to attend a national conference of the union to be held by mid-May.

The Johannesburg meeting refused to support the adoption of the Freedom Charter.

PFP hits at govt's R13,4bn pay bill

BDay 8/3/88

GERALD REILLY

PRETORIA — PFP criticism of the latest public servants' pay bill — which has soared in five years by 151% to R13,4bn (R5,3bn in 1982/83) — has been sharp

PFP finance spokesman Harry Schwarz said government should take swift and effective action to curb such staggering costs.

As a percentage of GDP, public-service pay rose from 6,5% to 7,6% As a percentage of state revenue, the pay bill soared from 28,8% to 33,5%

Schwarz said an ever-increasing share of the GDP was being lavished on maintaining the public service Somewhere a halt had to be called and surely that was now.

And it would not help to privatise services which were profitable.

As well, the huge amounts spent on ideological activities should be halted or drastically trimmed.

The R13,4bn pay bill breaks down into. wages and salaries R9,7bn (R3,9bn five years ago), bonuses R594m (R216m); housing subsidies R449m (R92m), medical aid contributions R215m (R71m); pension contributions R1,8bn (R701m); car schemes R21,5m (R8,2m), leave and retirement gratuities R109m (R36m), other direct and indirect benefits R474m (R249m)

Pay rises seen at average 15%

Manufacturing sector prepares for growth — BER

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25/3/88

Cape Times

By AUDREY D'ANGELO
Financial Editor

PAY rises for the manufacturing industry as a whole will probably average 15% this year, in spite of the State President's call for restraint, says Ockie Stuart, director of the Stellenbosch Bureau for Economic Research And some employers are expecting to give increases of up to 20%

Stuart bases this forecast on the bureau's latest survey of more than 1 000 firms and says that in the present conditions for manufacturing industry "an average increase of 15% should be considered as moderate"

The survey showed that more jobs were now available as the manufacturing industries prepared for growth.

In spite of a decline in the general economic outlook compared with six months ago, manufacturers were registering first-quarter confidence at a level not seen in the Republic since 1982

Stuart says in his report "A high level of business confidence, expressed by way of satisfaction with prevailing conditions and expectations of sales levels over the coming quarter, is the order of the day in the manufacturing industry."

He says 70% of manufacturers surveyed reported satisfaction with current business conditions.

"The net majority expect an increase in tempo of business while only about 5% expect business to decline in the next quarter Growth in the sector has, in recent times, been constrained by a lack of confidence, but this has now clearly been reversed"

Stocks of finished goods were reported to be too low to meet expected demand, which meant delivery periods could be expected to lengthen with some companies already facing problems in fulfilment of orders

The wood industry, furniture, rubber and the motor industries were particularly vulnerable

A shortage of skilled labour was causing serious problems for certain industries including machinery, paper, textiles, clothing, wood and transport equipment.

"As far as sanctions are concerned, these have had the most noticeable negative effect in the textile and footwear industries," Stuart said

MANUFACTURING

(180)

Making merry

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FM 1/4/88

DD 26/3/88 180

Heed call to restrain hikes — Du Plessis

PORT ELIZABETH — The Minister of Finance, Mr Barend du Plessis, appealed here yesterday to businessmen to heed the State President's call for moderation in demands, price rises and salary and wage increases

In an interview with the Daily Dispatch's Port Elizabeth correspondent, he said that the expected average salary and wage increases of 15% in the manufacturing sector projected by the Bureau for Economic Research at Stellenbosch University would stimulate growth

"Salary and wage increases create a demand for goods and service which will help to stimulate growth, but what must be guarded against is creating demand inflation

He said this would need discipline by the private sector to keep demands, price increases and salary and wage adjustments within reason

The nation-wide survey of manufacturing firms, conducted after Mr P W Botha's appeal for private sector wage restraint, by the bureau involved more than 1 000 firms

The bureau's director, Mr Ockie Stuart, said in 15 of 20 manufacturing sector categories, most firms expected to pay average increases of 15% to 20% This expectation was highest in the food, footwear, textile, plastics and paper sectors

In five categories — clothing, knitwear, transport, basic metal and fabricated metal — most respondents expected to pay increases of 14% or lower

Mr Stuart said many firms had committed themselves to paying increases in advance of Mr Botha's call, and were now unable to lower these increases

Another important finding was that productive capacity was increasing through an increase in employment A further positive aspect was, in spite of the rise in the number of employees, the average labour cost per unit of production remained roughly unchanged and was not expected to increase in the next quarter

Mr Stuart said this could point to higher productivity

"Unfortunately, it should be noted at the same time that the manufacturing industry in general is now handicapped by a disturbing shortage of skilled labour," he concluded

Cape Times 30/3/88

Malbak earnings surge by 95%

From CHERILYN IRETON

JOHANNESBURG — Malbak's interim results — with earnings a share up 80% — reveal some of the strength and dynamism of the enlarged group

In the six months to end February earnings surged to 39c from 21,7c a share, or by 95% to 36,2c from 18,6c on a fully converted basis

Shareholders will receive more than a quarter of the earnings in the form of an interim dividend of 10c a share This compares with 7c paid at the same stage in 1987 and gives a cover of 3,9 times (3,1).

Aided by strong performances from its packaging and paper, electronics, motor and farm machinery divisions, sales increased 183% to R2-bn (R713m) while pre-tax profits rose to R145,1m (R38,8m)

The tax rate was 31,7% compared with 45,2% at the comparable stage, leaving attributable profit at R67,2m (R17m)

Thomas says the results indicate what Malbak can do with assets — "make them work for shareholders".

Sponsors pouring cash into sports

Star 14/5/88

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MALCOLM FOTHERGILL

BUSINESSES of all sizes and in all sectors of the economy are pumping money into sports sponsorships with the enthusiasm of musclemen pumping iron before a big competition.

New sponsorship deals announced in just two months this year — February and March — add up to more than R7,5 million, according to a list compiled by Zane Wilson of Sports International.

The biggest winner is soccer, which takes R3 066 000, or nearly half the total.

The amounts being invested by businesses in sport range from the Mickey Mouse — R3 000 for the Germiston Country Club Saturday Morning League, by the Allied Building Society — to the gargantuan — R900 000 for the OK soccer league, for instance

Hardly a sport is not represented.

Lifesaving gets R305 000 over three years from South African Breweries

Inflatable dinghy racing gets R5 000 from Natal Earthworks for an off-shore event at Salt Rock

And softball gets R6 000 from Kelvinator

Whole gamut

The list of sponsors runs the whole gamut from household names to neighbourhood operations

It includes Lexington, Gilbeys, Mobil, BMW, the Allied Building Society, Toyota, Standard Bank and Foschini among the big names, and Ladysmith Automotive Parts & Accessories, Draper Excavator Hire Co and the Bloemfontein Municipality as the rather more surprising names

14/4/88

Copyright Act: a new deal forecast

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CAPE TOWN — An amendment to the Copyright Act accepted by Parliament effectively terminated copyright protection of many industrial articles with "major positive consequences for South African industry", the Deputy Minister of Economic Affairs and Technology, Dr Theo Alant, said yesterday

Dr Alant said industrial development in the past was hampered by foreign parties whose product, despite losing its copyright protection in terms of existing patent and design laws, was nevertheless protected under certain circumstances under the Copyright Act for the rest of the producers' life plus 50 years after his death

"This prohibited the entry of entrepreneurs into the manufacturing industry and led to monopolistic ideas"

The effect of the amendment is that the copyright protection is terminated for industrial articles such as components for heavy machinery, pumps and valves and spare parts for vehicles and mining equipment

Furthermore, articles of no artistic or creative merit, which could not meet requirements for registration under the patent and design laws, are also no longer protected

In the past, many South African manufacturers were forced to close their businesses because of legal action by foreign copyright holders, who did not enjoy the same rights in their own countries

The amendment would contribute towards stimulating economic growth and industrial development as well as placing South Africa in a more competitive position abroad, Dr Alant said — Sapa

LOCAL MANUFACTURE

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The soft option?

While there are advantages in striving for greater technological self-sufficiency, SA will never be self-sufficient as far as hardware manufacture is concerned

This sobering warning comes from David Jacobson, group technology director for the Altron group and a former vice-president of the Council for Scientific and Industrial Research (CSIR)

Acknowledging that the "monster of sanctions ever lurking in the background" is a spur to greater self-sufficiency, he says however that a constraint under which we live is that high-technology industries know no boundaries

"Electronics, for example, is an international business Just open up a PC and see the United Nations of electronics represented by origins of components So even if we design and construct our own hardware in SA the international umbilical cord of component and special material supply cannot be shaken off"

As, irrespective of sanctions, there are certain elements in computer hardware technology which will always have to be imported, this is a good argument for greater emphasis being placed on channelling the country's technologically creative energies into other avenues of the computer industry

Software, he points out, can be developed and constructed in SA without having to import any component parts But, he warns, expansion of the domestic software industry could be inhibited by a shortage of its most important ingredient — well-trained, good quality manpower The desired expansion of software development in SA cannot be fuelled fully by the country's present complement of software engineers

"Both industry and government must ensure that the universities have sufficient financial support to adequately staff and equip the relevant departments In turn the universities must produce graduates with minds open to knowing" ■

IDC scheme attracts scores of enquiries

CAPE TIMES 18/4/88

Manufacturing boom: Record credit demand

80

Own Correspondent

JOHANNESBURG. — Boom conditions in the manufacturing industry have led to an unprecedented demand for credit and lease facilities.

Less than two months after its introduction, the Industrial Development Corporation's (IDC) R300m low interest rate scheme has already attracted a total of 144 "serious" enquiries, worth R120m

The scheme, launched in February, is aimed at new investment to foster import replacement, exports and job creation

IDC senior GM Carel van der Merwe said at the weekend that of the 144 enquiries received, 48 applications had been processed to a value of R77m

"Of these, 30% were from the machinery/electrical sector, 18% from textiles, 10% from chemicals/rubber and the rest in a general category," Van der Merwe said

"About R35m in applications has been approved to date, with the highest at R16m and the lowest R12 000"

He declined to name the parties involved but said industrial interest in the scheme was still "very high"

The low interest plan is available to independent industrialists or groups with total assets (fixed plus current) of up to R50m at the time of application for the financing of new manufacturing projects

Criteria for application include

- That the new facility will create new and/or additional capacity, of which at least 30% is directed towards import replacement and/or exports.
- That a project will result in a reasonable number of new job opportunities
- That is will have economic merit and,
- That it will not result in the applicant's funding structure being unreasonably strained — not less than 30% owners' funds to total assets after the expansion

Van der Merwe said interest at 5% a year would apply for the first three years, provided 60% or more of the expected sales from the project would be directed to import replacement or exports

"After three years the borrower can choose between the IDC's then prevailing fixed or fluctuating interest rates, but at no time will the rate exceed 14%

"In cases where less than 60% but at least 30% of the new sales will be directed at exports and/or import replacement, half of the loan will be made available under the 5% scheme and the balance at the normal IDC rates for the full term of the loan," Van der Merwe said.

Intended to support the independent medium-sized manufacturers, the scheme is available in the form of loans, suspensive sales or lease finance.

D/P 9/4/88

MTC: Barend makes no major changes

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CAPE TOWN — The Minister of Finance, Mr Barend du Plessis, has refused to bow to big business pressure to signficantly change the Minimum Tax on Companies (MTC) and let the mines off the hook

While he has made some changes, which will exclude companies registered abroad but operating locally through a branch, he has not exempted gold mining companies which strongly objected to the tax, claiming it would cost them R1,8 billion

Other exemptions involve Unit Trust companies and others which are in sequestration or are dormant and can prove they will not be liable for normal taxation

Mr Du Plessis announced the changes yesterday saying they were in line with his department's approach to constructive and well-meaning representations and discussions on the implications of any of its tax proposals

The chief Progressive Federal Party spokesman, Mr Harry Schwarz, was critical of the proposals recently, saying that Mr Du Plessis had cast his net too wide

Mr Du Plessis said in a statement yesterday most companies had not objected in principle to the MTC but were concerned about its long term effects

He pointed out, however, that he had said earlier that MTC was a "temporary measure" to generate income to help the government over a cash-flow problem while it was introducing its tax reform programme

MTC would diminish as other sources of revenue were developed

Mr Du Plessis confirmed that this was still the government's attitude and said that while valid points had been raised in further discussions, they had not taken into consideration the growing concern of taxpayers and observers who sought the most equitable system possible — DDC

Gencor taxed profits fall 27,3%

ROBERT GENTLE and REINIE BOOYSEN

GENCOR'S gold mines posted predictable results for the March quarter, but taxed profits fell 27,3% as higher working costs and a lower gold price eroded revenue

At BUFFELSFONTEIN lower tonnage and yield, coupled with higher working costs, depressed gold working income This was aggravated by a R22,3m decrease in uranium working income "due to the phasing of uranium sales", causing net profits to plummet 49% to R32,1m (R16,4m)

BEATRIX outshone its rivals by holding down unit costs despite a lower tonnage, producing 100kg more gold than in the previous quarter Despite a lower gold price, net profits rose 5% to R19,1m (R18,3m)

At STILFONTEIN, where operations have been scaled down as exploitable ore reserves continue to drop, 26% less gold was produced This, coupled with sharply increased working costs, turned last quarter's R12m net profit into a R3m loss

WEST RAND CONS results also reflect the expected scaling down of operations and gold produced decreased to 916kg (980kg) However, the net loss was 15% lower than in the previous quarter

At GROOTVLEI, a higher grade offset the lower tonnage, while unit working costs were 5% lower However, net profits fell by R212 000 to R1,5m

At MARIEVALE, lower yields produced 12kg less gold, despite increased tonnages Net profits fell 47%, though net earnings per share after capex were sharply diluted after the issue of 55,5-million new shares

Despite a slight rise in milling, KINROSS's gold production fell by 2,5%, due to a 3,5% drop in yield to 5,7g/t Frankel, Kruger, Vinderine mining analyst Rob Gillan says this drop in yield is probably due to increased surface dump milling, as a result of the fact that Kinross could be running out of available stoping face

The cost per kilogram rose by 4,8%, accounting for the drop in working income However, because of a 17% drop in tax and state's share of income, the mine nevertheless returned a better bottom-line than the previous quarter, with after-tax income up by 8% Break-even working cost rose by 5% to R526

Although BRACKEN milled slightly less tonnage than the previous quarter, at an unchanged yield, it maintained the same gold output The 8% drop in square metres mined, indicates that mill tonnage was probably supplemented from surface sources, says Gillan

LESLIE's grade improved, due to less dump milling and an apparent improvement in stoping widths The break-even gold price was unchanged at R820

ST HELENA's grades were substantially up due to extraction of higher grade reef from No 4 shaft's remnant pillars This will continue until No 10 shaft comes back into operation, says Gillan He adds that the reduced tonnage reflects a shortage of stope face, which will improve with the recommissioning of No 10 shaft

The remarkable improvement in grade from the Basal Reef is probably due to the increased development of the high-grade pillar remnants The break-even cost has dropped from R817 to R657 an ounce

UNISEL will only acquire additional stope-face if they sink a new shaft in the Tarka-Jurgens Hof area However, this seems unlikely, considering the present gold price and the poor development and borehole values, says Gillan

A drop in channel width on the Basal Reef horizon resulted in a 20% decrease in the sample values The break-even cost has been lowered by 3% to R462/oz

At WINKELHAAK, tonnage fell by 6% due to decreasing available stope face This will probably continue until stope faces have been established at the new No 6 shaft area Because surface dumps have been virtually depleted, the total costs of the mine were carried on lower tonnage Thus working costs rose by 8%

Grade could decline in the next quarter, as reflected in the development values which reduced by 49% to 981 cm g/t in the mine's efforts to expose additional face

GENCOR GOLD MINES March Quarter	Tons Milled '000s	Yield g/t	Gold produced kg	Costs R/t	Costs $/Oz*	Costs R/kg	Revenue $/Oz*	Revenue R/kg	Net Profit R000s	Profit after Capex R000s	EPS after Capex cents
Buffels	**707**	**5,4**	**3 826**	**138**	**386**	**25 458**	**456**	**30 044**	**16 393**	**14 497**	**132**
Dec	747	5 5	4 100	130	369	23 736	473	30 398	32 064	22 621	206
Beatrix	**529**	**6,2**	**3 280**	**102**	**250**	**16 452**	**455**	**29 943**	**19 137**	**13 414**	**—**
Dec	530	6,0	3 180	99	256	16 539	471	30 416	18 285	11 553	—
Stilfontein	**278**	**4,7**	**1 313**	**148**	**477**	**31 412**	**445**	**29 345**	**(3 033)**	**(3 008)**	**(23)**
Dec	382	4 6	1 773	120	402	25 801	467	30 105	12 001	12 223	94
West Rand Cons	**452**	**2,0**	**916**	**64**	**483**	**31 818**	**459**	**30 208**	**(844)**	**(1 102)**	**(26)**
Dec	486	2 0	980	64	487	31 915	468	30 588	(998)	(1 566)	(37)
Kinross	**514**	**5,7**	**2 931**	**97**	**258**	**16 993**	**459**	**30 212**	**18 431**	**13 567**	**75**
Dec	512	5,9	3 008	95	247	16 205	465	30 352	17 100	12 082	67
Bracken	**223**	**2,9**	**653**	**77**	**400**	**26 360**	**460**	**30 283**	**1 925**	**1 575**	**11**
Dec	225	2,9	653	75	396	25 726	468	30 346	2 228	1 628	12
Leslie	**352**	**2,4**	**835**	**63**	**400**	**26 368**	**457**	**30 086**	**2 764**	**1 896**	**12**
Dec	356	2 3	808	60	401	26 365	468	30 355	2 602	1 775	11
St Helena	**525**	**4,6**	**2 405**	**116**	**384**	**25 296**	**455**	**29 946**	**10 218**	**5 861**	**61**
Dec	552	4 2	2 330	111	406	26 272	470	30 392	12 816	5 323	55
Unisel	**298**	**5,7**	**1 687**	**94**	**252**	**16 631**	**456**	**29 947**	**10 714**	**8 126**	**29**
Dec	302	5,9	1 770	90	232	15 371	470	30 178	13 161	9 299	33
Winkelhaak	**530**	**5,5**	**2 915**	**97**	**269**	**17 709**	**457**	**30 078**	**25 393**	**7 623**	**63**
Dec	564	5,5	3 101	90	254	16 428	472	30 381	29 917	12 855	106
Grootvlei	**340**	**3,2**	**1 100**	**92**	**433**	**28 538**	**453**	**29 820**	**1 480**	**1 237**	**11**
Dec	358	3,1	1 096	92	462	30 147	466	30 296	1 692	1 110	10
Marievale	**80**	**2,4**	**195**	**66**	**413**	**27 241**	**455**	**29 982**	**579**	**430**	**0,7**
Dec	64	3,2	207	80	377	24 614	467	30 377	1 097	1 138	25

* Standard Bank average exchange rate R/$ = 2 049 for March Quarter

Jaguar hails higher import duty on shoes

HELENA PATTEN

JAGUAR Holdings views the higher duties imposed on imported footwear by the Board of Trade late last year as a "stimulus to local industry", and one of which the group was well positioned to take advantage

Writing in his chairman's review, Roy Eckstein says Jaguar is ready to take up the challenge for additional production to replace much of the footwear previously imported into the country, and consequent higher production levels were expected to result in increased profitability for the group

He says the coming year will see the group looking at a 30% increase in the production capacity of the injection moulding plant where heel and sole units are made, full production from the factory in Qwa Qwa by the year end, and an expansion of the Mustang factory in Lesotho.

The group was also looking to increase production of Puma sports footwear and training shoes

Eckstein says "We have been fortunate to buy the complete shoe-making machinery and equipment of one of Puma Germany's plants"

THE quarterly results for Anglovaal published in Business Day yesterday failed to take into account 564kg of gold recovered from Hartebeestfontein's low-grade gold plant.

With the 7 476kg recovered from Harties' main plant, this lifts the combined output of the group's four mines to 11 092kg — 97kg up on the previous quarter.

Business Day regrets the error

Reunert buys Heinemann

HELENA PATTEN

HEINEMANN Holdings, a supplier of electrical devices, has become a wholly owned subsidiary of Reunert, following Reunert's acquisition of the remaining 30% interest from Heinemann Incorporated of the US

The agreement allows Circuit Breaker Industries — 100% owned by Heinemann Holdings and manufacturer of Heinemann and Fuchs circuit breakers and earth leakage protection devices — to continue to use the Heinemann name and to sell Heinemann products worldwide

Heinemann Holdings CE Wolf Wilckens said the acquisition of the residual 30% shareholding in Heinemann Holdings by Reunert opened up a new chapter in the production of electrical protection devices

Since Heinemann commenced operations in SA in 1949, the company has increased its design and manufacturing capability so that, for the past 15 years, all the products manufactured and sold have been designed in SA and it is totally independent of the American company for technology and supplies

DIAGONAL STREET

Golds retreat as industrials stand steady

GOLD SHARES continued to flounder on Diagonal Street yesterday on lack of interest, but industrials were steady with a firmer bias in active trading

After opening a touch firmer, gold shares retreated with dealers noting some profit-taking, and the JSE all-gold index closed 12 points off at 1 261, despite a steady gold price and a slightly softer financial rand

Dealers said early US buying in Far Eastern markets ahead of the release of US March consumer price data (CPI) pushed gold up to a London morning fixing of $458, while a flurry of buying on news of clashes in the Gulf carried the metal to a high of $459,75

Market expectations had been built up for an uptick in US inflation after Friday's larger-than-expected rise in producer prices, but the dollar slipped only slightly as it took the 0,5% CPI rise in its stride, and gold fell back to around $457

DRIES, up 25c to R32,25 but off its high of R32,50, was the only quality stock to go against the softer trend on the gold board. Leader VAAL REEFS topped the day's most active list in value terms with 6 250 shares worth R1,5m traded in 14 deals, but the price closed 400c (1,6%) lower at R253.

Several lightweight stocks made modest gains, with WAVERLEY the best performer, rising 4,7% (8c) to 178c on its acquisition of Brakpan Van Dyk Mines from Egoli in exchange for Mariner Mining and shares in Primrose Gold Mine.

However, EGOLI, in the mining holding sector, shed 30c (13,3%) to a new low of 190c.

Platinum leaders were also lower, with RUSPLAT giving up 185c (5,6%) to R31. Only LEPLAT bucked the easier trend with a gain of 5c to 450c in continued active trading.

Antimony producer CONS MURCH registered the biggest fall among other metals and minerals after plunging into a loss in the March quarter. The price declined 15,8% (150c) to 800c.

JCI strengthened a further R5 to R435 on good March quarterly results as gold mines in the group maintained their post-strike revival. The shares have risen 28% since touching a low of R340 in mid-February.

GENCOR closed unchanged at R49 ahead of March quarterly results from its gold mines which turned out to be much in line with expectations

The firmer mining holdings sector and the three-point rise in the industrial index to 1 517 limited the decline in the JSE overall index to six points to 1 643

W & A continued to feature among secondary line industrials and the price firmed a further 200c to R54 with a special bargain deal of 20 000 shares at R50 each.

PUNCH fell a further 30c (8,6%) to 320c on on disappointment over the dividend increase to bring its fall to almost 16% in the last two trading days. Firm spots in the electronics sector included MDATAKOR which added 10c (4,8%) to 220c, and OHIO which rose 5c to 160c on its results

CHUBB in the engineering sector continued to edge higher with the price firming 25c to 700c, to lift its gains to 16,6% over the past week.

While GUARDIAN jumped 241c to R12,50, LIFEGRO was a weak spot in the insurance sector as the shares tested new lows this week. The price closed 10c (4,4%) lower at 215c.

AMAPROP was untraded at 550c ahead of news that it has acquired the management function of the Carlton Hotel from US-based Westin. Amaprop already had 100% control of the Carlton after purchasing Westin's minority stake of 11% two years ago.

DCM

There were price movements among only 16 of the almost 100 stocks in the DCM sector with 11 shares firmer and five lower CITIZEN was the front-runner with a gain of 12,5% (5c) to 45c, but WORLD OF MUSIC played a sad tune as the shares fell 12,5% (5c) to 35c

MERVYN HARRIS

Trusts strong in weak market

HELENA PATTEN

DESPITE continuing uncertainty in the stock market, unit trusts had a net inflow of R101,7m in the 1988 March quarter, according to figures released by the Association of Unit Trusts yesterday

The figures show that in the March quarter investors took advantage of lower unit prices to buy units worth R190,4m Repurchases totalled R88,7m

Current chairman of the Association Roy McAlpine has said that this significant inflow after the biggest stock market decline in history reflected well on both the industry and investors

The fact that equity funds were holding around 78% of their assets in equities was a reflection of the positive, long-term view of the share market that fund managers were taking

Figures show that at March 31, the 25 funds managed assets totalling R3,484bn, compared with the December 1987 figure of R3,469bn and the R3,27bn shown at March 31 a year ago

The bulk of these assets (R2,322bn) were invested in the nine general equity funds which, in turn, had about 77% of their funds invested in equities and 22% in liquid assets

The six general equity funds in existence for the past five years showed an average annual appreciation (capital plus income) of almost 19%, well ahead of the 14,9% inflation rate for the same period

An average decline of 8% for the past 12 months reflects the share market's recent weakness

Assets of the 10 specialist equity funds amounted to R974,7m at the quarter's end, of which R770,3m, or 79%, was invested in equities

The six high income funds had assets of R187m at March 31 and were mainly invested in short-dated instruments (R98,9m or 53%) with R84,4m, or 45%, in other assets

McAlpine reacted to criticism that fund managers had committed too large a proportion of the trusts' assets to cash, saying fund managers had taken prudent steps to boost liquidity levels and, in most instances, had not sold shares

"I believe we have taken the correct action and, once the nervousness in international markets has cleared, the unit trusts with their increased liquidity will be in an extremely powerful position to take advantage of market opportunities"

Outgoing chairman Alister Colquhoun says in his Year-book review he expects the stock market to be far less volatile than it was during 1987

"The fall in prices that has occurred in recent months has created renewed investment opportunities for long term investors"

W. Argus 23/4/88 180

40 factories for Peninsula

By TOM HOOD
Business Editor

FORTY mini-factories are being built in the Peninsula by a development company to meet the soaring demand by small businesses.

Eight industrial developments, mostly in the Montague Gardens area and totalling about R6,5-million, are being handled by a consortium of local investors headed by Unite Property Brokers.

Since mid-1987 the demand for small industrial premises has strengthened as business confidence became more widespread and companies felt they could look forward with more certainty to a spell of good training, said company executive Mr Peter Unite.

The most exciting development is a street in Paarden Eiland designed in line with Old Cape style warehouses and factories and building on the first 10 has started.

The premises are only 200m² each with an elastic office component, container access, natural light and an attractive environment.

The City Council has given land across the street for landscaping to offset the buildings.

"This development faces a wetland in Paarden Eiland which the local industrialists were keen to preserve as a bird sanctuary and the buildings look over this wildlife area where ducks, coots, flamingoes and other waders feed."

Biggest problem is the dramatic increase in building costs, which are up almost 20 percent since January 15 and seem to be rising still, he added.

Barlows posts 31% earnings rise

CM Tims 24/5/88 (180)

By LAWRENCE TOTHILL
Investment Editor

INCREASED profits from industrial and food interests enabled Barlows to absorb the fall in the contribution from its mining activities and still show a 31% rise in earnings for the six months to March, 1988.

The interim dividend has been lifted to 39c (30c).

Barlows is by far the largest industrial group in SA, and its results are often seen as a yardstick for industrial performance. During the leaner years of 1981 to 1985, Barlows made virtually no progress, but now it has taken full advantage of the more favourable economic climate.

The industrial sector was the major contributor to the impressive growth rate, boosting its taxed profits by a sparkling 72%, to R233,9m, and constituting 41% of the group's total, against 31% a year ago.

All the major divisions in this sector — electronics and electrical engineering; computers; earthmoving equipment; motor and appliances; building materials; steel and paint; packaging and paper; and carpets and textiles — performed well.

The food sector, represented by CG Smith Foods, also enjoyed a good year, adding 37% to taxed profits and providing 27% of the group's total.

The international division experienced mixed fortunes, but the lower trading profits were offset by favourable conversion of profits into rand.

The company achieved a 30% increase in operating profit, at R894,3m (R686,7m), on a 23% rise in turnover of R9 899,6m (R8 077,3m).

Although borrowings at the half-year end were higher, interest over the six months was virtually unchanged, at R125,9m (R125,1m).

Income from investments rose by 22% to R93,9m (R76,8m), and pre-tax profits were up by 35%, at R862,3m (R638,4m).

Tax took R300m (R216,2m), leaving the after-tax profit 33% higher, at R562,8m (R422,2m).

A slightly higher average number of shares in issue reduced the growth at the earnings per share level to 31%, at 172,3c (131,6c).

The acquisition of new interests and a marked increase in capital expenditure, which totals R452m for the half-year against R656m for the full 1987 year, has not affected gearing materially.

Hi-tech development needs strong government support

Star 25/4/88

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By Stan Kennedy

The government has a major role to play in nurturing the local electronics industry which, if it is to grow, will require a lot of funding for facilities and staff, says Dr David Jacobson, group executive (technolgy), Altron group.

The SA Micro Electronics System (SAMES), a venture by the SA Post Office and the Industrial Development Corporation has had a stimulatory effect on electronics and the training and education of electronic engineers. But, says Dr Jacobson, unless this local industry gets support, what has been built up can easily fall apart in these difficult times.

SAMES was established in 1980 with the participation of Siemens and as a consequence of an "entreprenurial step" by the Post Office to manufacture integrated circuits (ICs) and to have its digital telephone systems manufactured locally.

It was a commitment to stimulate the electronics industry which today has sales of R6,8 billion.

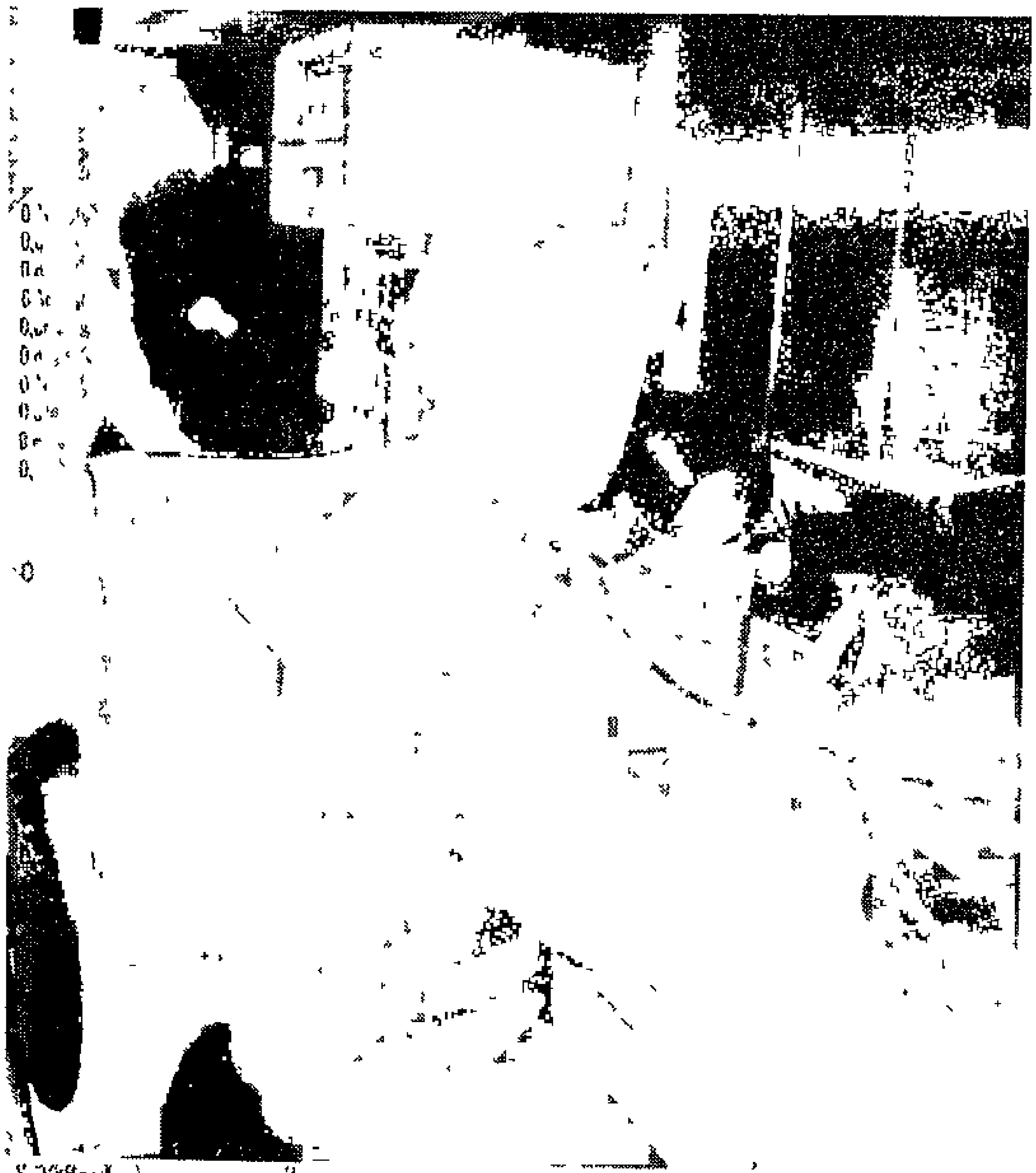
ICs enable a company to design, develop and manufacture very complex electronics and telecommunications equipment which cannot be done by using single components. All the components required for an electronics system, such as a logical switching device, are made at SAMES.

"If we want to be a genuine player in the electronics field, we need a good, solid community of well trained engineers. You cannot have that if you don't have an exciting, vibrant environment in which they can grow.

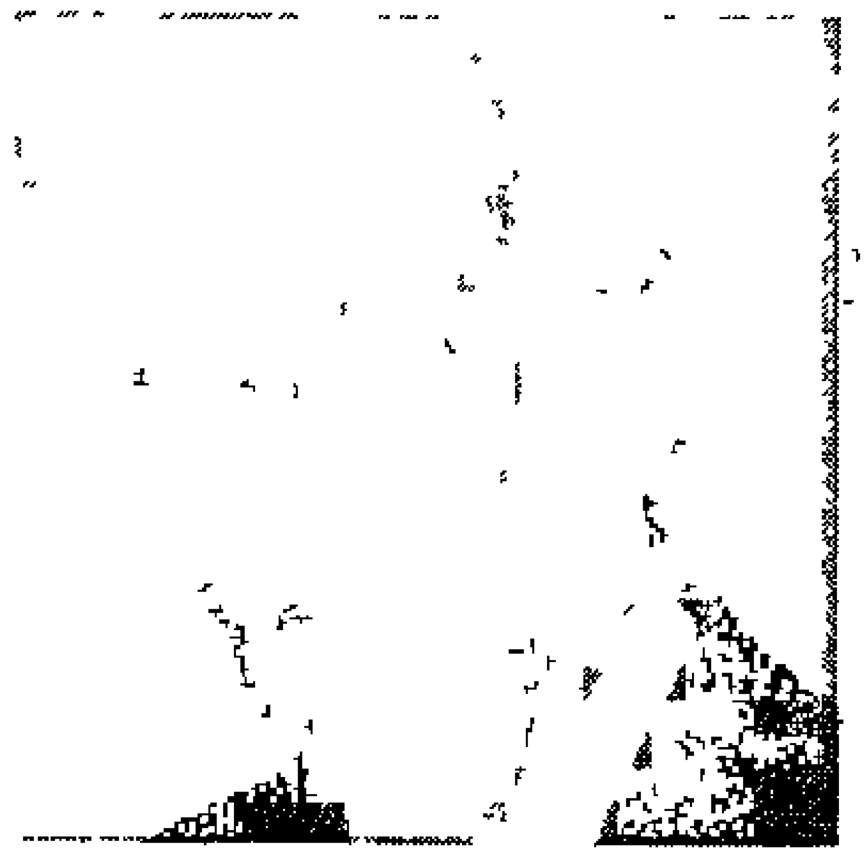
"This emphasises the role the government must play in electronics companies such as SAMES and the Integrated Circuit Design Centre (ICDC)."

Three years ago, SAMES was broadened in scope to include major electronics companies. They were Altech, the biggest shareholder, Siemens, Plessey, Reunert, Grinel and Temsa. Altech manages the company on behalf of the other shareholders.

Dr Jacobson says the technology used then and now is not leading edge technology. SAMES was not trying to compete with anyone, the Japanese or Americans, but was trying to do something useful and relatively modest to serve the country's needs.



A speck of dust or a human hair can destroy a circuit when it is being made. Clean rooms are, therefore, vital and the operators must be suitably attired. Here an operator is removing a particle from a wafer using a nitrogen jet.



Dr David Jacobson — "Country is five to seven years behind in IC manufacture."

The industry does not make the microchip which goes into computers and it is five to seven years behind the world leaders in IC manufacture. To reach that level will require an enormous amount of money, he says.

South Africa, however, is not behind in the use of advanced ICs and some of the world leaders, like Intel and Texas Instruments in the US, and Inmos in the UK, are represented in South Africa by Altech, part of the Altron group.

While SAMES' sister company, ICDC, designs ICs for local production, it also designs special types of ICs, called Application Specific Integrated Circuits (ASIC), puts them on tape and sends them overseas for manufacture if the local facility is not capable of producing them.

More functions

Texas Instruments is one of the companies that takes on this kind of work. In manufacturing these very specialised ICs, the etchings making up the circuits on a chip are only about 1,5 microns, resulting in more functions being placed on to the chip.

At SAMES, ICs are manufactured for M-Net decoders, South Africa's data transmission system, Diginet, and industrial electronics such as variable speed drives.

"With our franchises and the capabilities of ICDC and SAMES, we can supply all the country's needs for ASICs," Dr Jacobson says.

The more advanced chips for use in computers are are not made in South Africa but are imported by local computer assemblers, the major players in this field being Punch Line, a subsidiary of Fintech, ICL SA and Olivetti.

Bid to boost local electronics industry

26/4/88 (191) B/003

MICK COLLINS

SA has a net import bill for electronic goods that ranks sixth in the world among Western countries, with imports for 1986 being in excess of R2,8bn.

This figure, according to the latest report on the electronics industry, is 20% up on the import figure for 1985 in rand terms, or about 10% up in real terms

The report, prepared for the standing committee for electronics by Business and Marketing Intelligence (BMI) says SA only manufactures 25% of its electronics requirements

Financial support through tax mechanisms, promotion of technology developments and the education and training of manpower are seen as the most important mechanisms the state can use to assist the local electronics industry

BMI's Alan Paul says the findings of the latest study, taken among leading industrialists and public sector buyers, addresses the steps that industrialists see as being essential for government to take to stimulate the local industry

"It is against this background that the state corporations and departments which are members of the standing committee are assigning high priority to import-replacement and local manufacture in the industry

"The Industrial Development Corporation (IDC) is one channel through which local businesses can be financed, and electronics is receiving particular attention",

BMI's findings have been presented to the working group for the promotion of the electronics industry which is to report to Economic Affairs and Technology Minister Danie Steyn by the middle of the year.

Mechanisms identified as being of benefit in the long-term are increased local content preferences and supply agreements

Paul says "The risks involved in development activities are considerable and for this reason several of the mechanisms are intended to reduce this business risk — by providing financial incentives and the sharing of the risk with the intended end-user of the product.

"The development activity represents an investment in the future production capability of the industry and is essential to its growth"

He says the measures proposed are in line with stimulatory measures used in Taiwan, Hong Kong, Korea, Singapore and Israel for the development of those countries' own industries

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EXCISE DUTY

Govt greed defies logic

Something is rotten in the South African electronics industry if State legislation makes it preferable to import basic computers rather than turn out locally assembled machines which include an element of import replacement. However, that is exactly what is happening because the government, far from misunderstanding the information technology industry demonstrates no understanding of it at all. This is the situation according to Les Wood, executive director of the Business Equipment Association of SA (BEA), a long-established association of equipment vendors, which is currently investigating the computer and office automation industries on behalf of the Board of Trade and Industry (BTI). Its aim is to produce a strategic plan for future industry growth.

Wood says the government has placed greed for revenue before common sense planning and strategic decision making, with the result that computers have for the past three years been classified along with tobacco and spirits to qualify for an ad valorem 11,5% excise duty. However, he tells the *FM*, there can be no chance of optimising the growth potential of the industry until a suitable environment can be created for a flourishing genuine local industry

"We are a country subject to all kinds of economic threats, and information technology, as a particularly vulnerable, but vital industry to the country's economic prosperity, is faced with punitive economic measures — not from antagonists of SA, but from those who are supposed to be looking after the best interests of the country It's nonsensical." Explaining the background to the problem, Wood says Finance Minister Barend du Plessis three years ago saw an opportunity to tap extra revenue from what was seen as a wealthy industry. "But because computers are subject to GATT it wasn't possible to simply impose hefty import duties. Instead the ad valorem excise duty was inflicted. The decision was ill-conceived from the start It never netted any additional revenue for the State because, unlike tobacco and spirits which are consumer products, 95% of computers, which are productivity tools, are bought by businesses, which deduct such capital costs from their taxes "

But that is only the tip of an iceberg which is having a serious impact on the way the industry is doing its business, according to Wood Other spin-offs include.

- ☐ Increased prices because vendors must recoup landed costs which are inflated by the duty,
- ☐ Anomalies which make it preferable to import basic computers and upgrade them with spare parts and accessories (not subject to the excise) rather than sourcing local inputs, and
- ☐ Discouraging entrepreneurs from embarking on import replacement projects such as providing locally-made power supplies and computer casings

Les Wood

At least part of the problem, says Wood, is the use of antiquated definitions of computer equipment for customs purposes based on EEC classifications

"The latest definitions from Brussels still talk about tabulators and punch card machines. It seems unthinkable that customs worldwide are not yet producing classifications which take account of today's products "

While BEA has been "shunted from pillar to post" in its attempts to resolve the ad valorem issue, progress is being made with the Department of Customs towards clearer definitions of computers and computer components, he says A meeting has been scheduled for April 25 between senior customs officials and BEA to sort out mutually acceptable definitions of computers and components "Customs has listened sympathetically to our problems over these issues, the problem is that they have to interpret and enforce decisions handed down to them."

It is urgent that these problems are resolved if SA is truly to benefit from the information age, he says "We should have got in on the act at the ground floor, but we have already missed that and we had better get in at the first opportunity otherwise we will be totally overwhelmed If we could resolve these problems I believe that it has been demonstrated that we have the entrepreneurs with the innovative capacity who would love to show their mettle internationally in this still young industry We have that potential, it is the industry of the future One need look no further than Taiwan to see what can be achieved if a government provides the right incentives in electronics "

Wood believes that an initial statistical report could be ready for BTI during May.

"Hopefully whatever report is put through the BTI by BEA will come to the attention not only of the Departments of Technology and Finance, but Manpower, Education and any other government bodies which are likely to benefit from technology " ■

FINANCIAL MAIL APRIL 15 1988

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ELECTRONICS

Tax holiday sought

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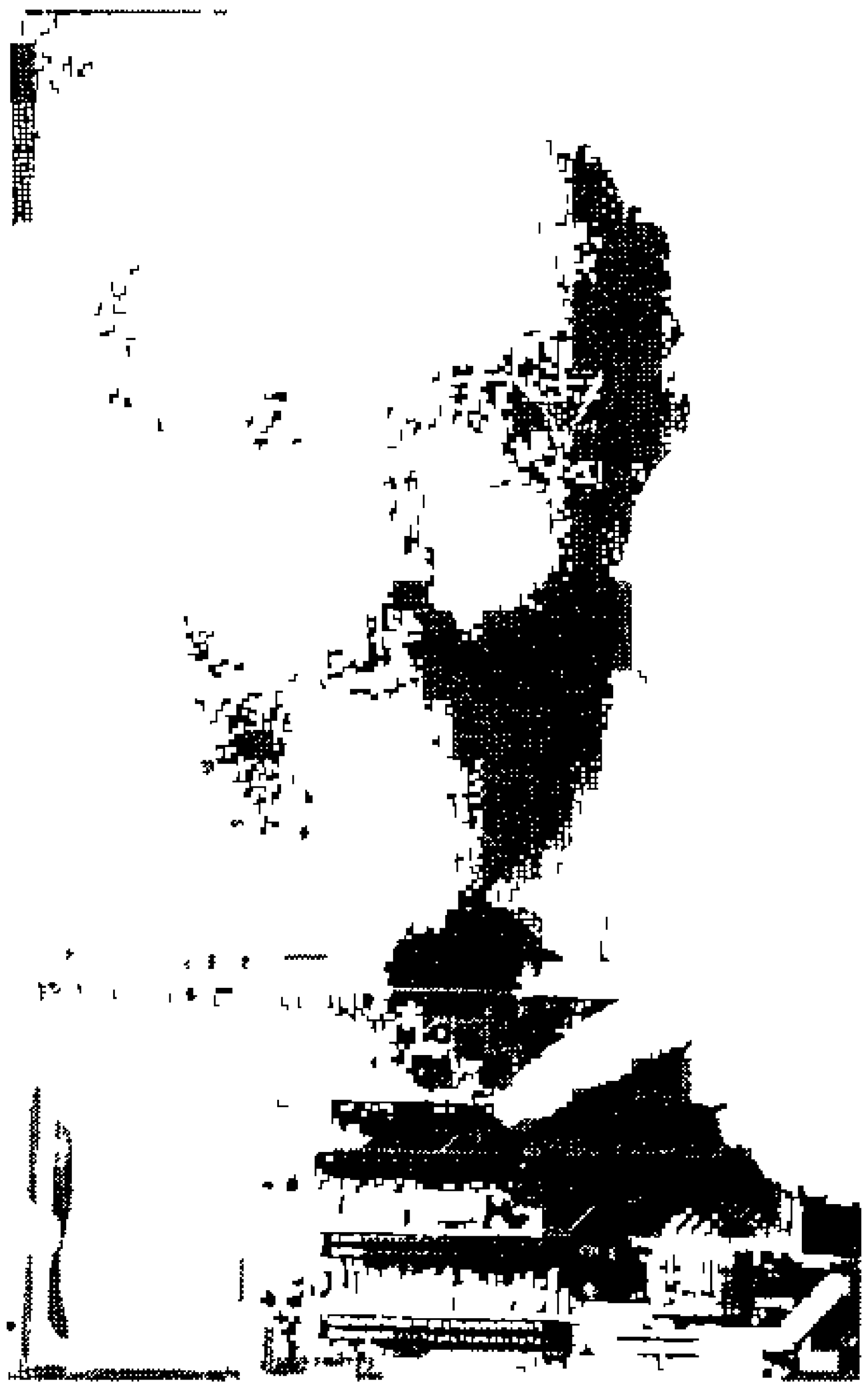
If SA wants to become an "electronics country," government must act as an enabler and not try to re-invent the wheel, says a report by a group of five top South African industrialists who visited Taiwan late last year to evaluate that country's success in the electronics field

The report specifies 29 measures — including a controversial three- to five-year tax holiday — considered necessary to lift SA into the category of an electronics country The recommendations are claimed to be broadly similar to measures used elsewhere in the world to stimulate a national electronics industry

The group notes that in the Republic of China (RoC), government's relations with industry are characterised by both cordiality and self-interest Industry is approached with the attitude "how can we help you expand your business and increase your profits?" There is a conscious effort not to let a them-and-us situation develop The RoC government recognises that by making concessions and incentives available, it is not only helping industry, but also itself, because expanding or new businesses mean more jobs and, consequently, more individual taxpayers



Jacobson . . . group leader

Education plays a vital role in the RoC, with the government encouraging students by means of bursaries to enter technical careers and to study overseas Successful Taiwanese living in foreign countries, particularly the US, are actively sought out and invited in a friendly way to visit their homeland so that their knowledge can be tapped

The RoC spends 16% of its budget on education and emphasis is placed on technical careers Of 340 000 school leavers, 34 000 attend universities with a consequent yield of 15 000 engineers annually SA spends 20% of its budget on education, but well-documented deficiencies of a political nature will cause problems for decades to come

The lowest-paid electronics workers in the RoC earn $1 per hour, but such people have completed high school and many have college diplomas, the report makes favourable remarks about their initiative and productivity As near as can be assessed, the rate in SA is R3,14/h (Section D23, rate E) for assembly of PC boards, which compares unfavourably with the RoC rate on a straight exchange rate basis and may compare unfavourably when productivity and educational comparisons are made

The RoC has relied on licences and joint ventures with Japan, Europe and the US to develop its electronics sector. With sanctions, this route is not available to SA, but, because of good relations with the RoC, it is suggested that a serious effort be made to enter into similar agreements with Taiwanese firms and such government bodies as the Industrial Technology Research Institute, their equivalent of the CSIR Much of the effect of sanctions can be negated in this way Official RoC policy is to develop super-minicomputers and workstations as successors to PCs

The group was sponsored by the CSIR and led by Dr D H Jacobson, group executive technology, of Altron Other members are D A Buttemer, technical director, Electromatic, R J Gould, chairman, Electronic Components Manufacturing Association, G Hainebach, MD, SA Micro-Electronic Systems (Sames), and C R Leah, marketing director, ESD, Reunert Some 20 official and private organisations were visited in the RoC

The group's recommendations to existing members of the sector and to government regarding developing SA's electronics sector included

☐ A package of four tax measures giving industry a three- to five-year tax holiday, duty-free import of equipment, accelerated depreciation and double deductibility of R & D expenditure If, because of Margo, these are not acceptable, they should be replaced by cash grants of equivalent value;

☐ The South African Inventions Development Corporation's joint venture scheme should be expanded by the Ministry of Economic Affairs and Technology and be also used to support marketing of products overseas,

☐ The CSIR and Sames should formulate a co-ordinated Technology Development action plan directed at Sames's needs,

☐ More co-operation between the CSIR and industry,

☐ Technical education be implemented at levels below technikons and universities, more bursaries made available and more foreigners recruited into the industry (Taiwanese are considered especially suitable),

☐ Development of more technoparks for "clean" industries, specifically in Midrand;

☐ Fostering of co-operation between industry and government Here the success of Armscor in developing a close working relationship with the private sector could provide a model to assist industry in winning overseas orders,

☐ Industry co-operation with government for the greater benefit of electronics; and

☐ The already good links between the RoC and SA be further extended at both official and unofficial levels, with business and technical co-operative ventures being established in either country by either party

Some of these recommendations are expected to find widespread support, but the tax proposals cannot fail to stir up a hornet's nest Should they be allowed for one industry, this will open the door for other "special cases" at a time when SA needs to move away from over-protection In particular, the call for accelerated depreciation will be questioned at a time when capital for investment is cheap

If, as is not unreasonable, the electronics industry is regarded as a special case, government should rather look at a direct subsidy geared specifically to, say, export performance. That way it will avoid helping the lame dogs that will continue to be a drag on the economy ■

W/Mail 29/1-4/2/88

THE ECONOMY

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Too much hi-tech. Too few jobs, says Sanlam

Weekly Mail Reporter

THE manufacturing industry makes up a large chunk of the South African economy and should be providing jobs But growth in this sector has been capital rather than labour intensive, and about 140 000 jobs have been lost over the past four years.

Sanlam argues in its January *Economic Survey*, published this week, that "increased capital intensity is one of the worst problems of the manufacturing industry".

It has meant increasingly high levels of investment are required — but the economic growth which results has declined And increased capital intensity has led to a greater demand for imported technology and highly skilled manpower and to a drop in the demand for unskilled workers

The trend to import substitution since the 1970s has meant a huge increase in local production of capital goods and machinery.

Tax incentives in the form of investment allowances, and real interest rates which have at times been negative, have also helped to make labour more costly than capital, Sanlam's economists say.

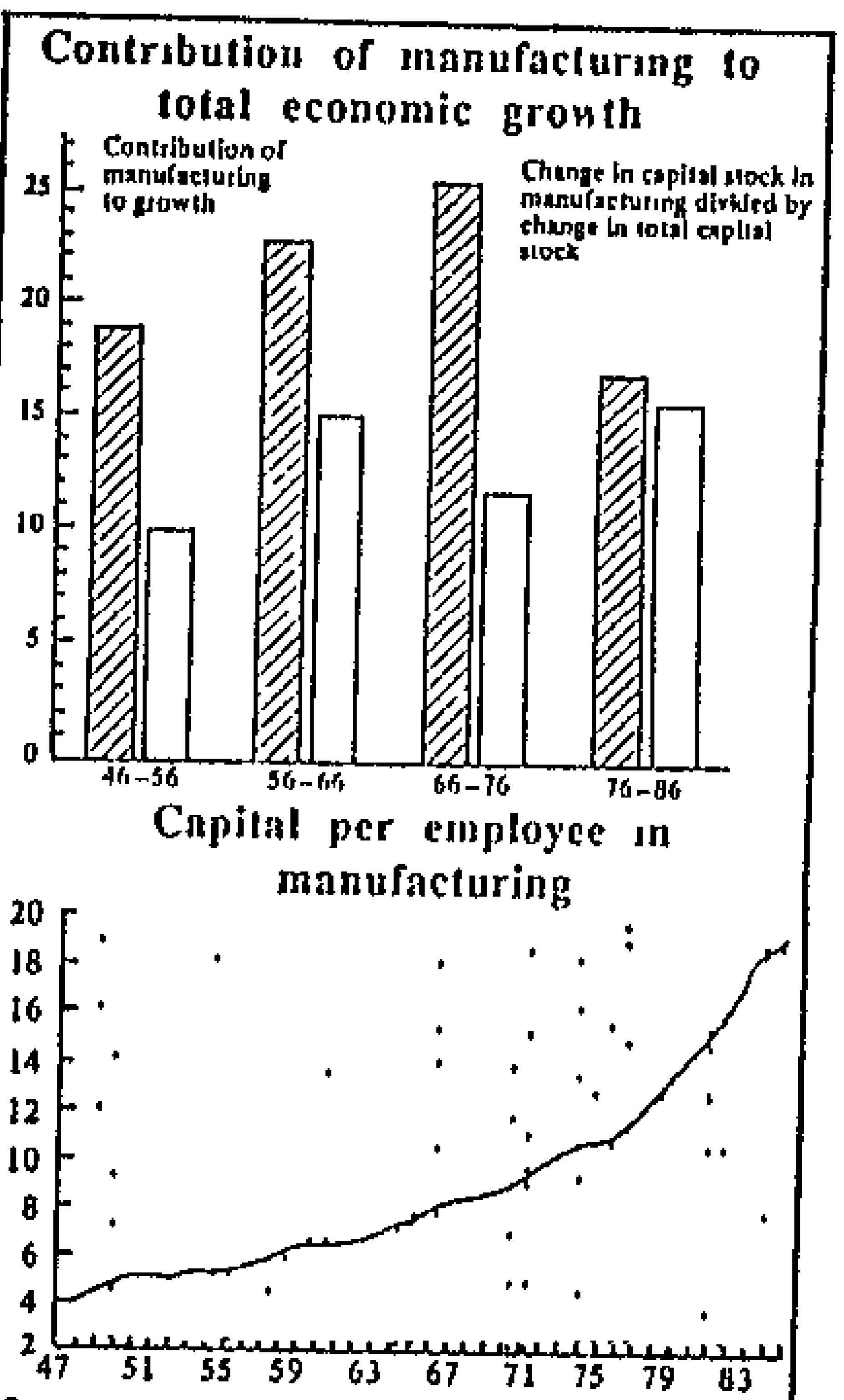
Almost R6 of extra capital was required to prove R1 of additional real output in the 10 years between 1976 and 1986.

Manufacturing's contribution to gross domestic product has more than doubled in the post war period, from only 10 percent in 1946 to just under 20 percent in 1986 With the industrialisation process has gone a movement away from the manufacture of consumer goods towards capital goods and machinery.

The manufacturing sector "has to bear the brunt in providing sufficient job opportunities for the fast growing labour force", Sanlam's economists say, although they do not appear to propose any radically new solutions to the problem of unemployment

They favour an export oriented strategy, production should be actively encouraged in industrial sectors in which South Africa has a comparative cost advantage *vis a vis* other countries They also suggest rationalisation in industries in which there are too many producers, and increased training and productivity

In Sanlam's view the strategy of "inward industrialisation", which includes developing the informal sector, could contribute to job creation by stimulating less capital intensive production processes



As capital intensity in manufacturing has increased, this sector has used more of South Africa's capital stock but contributed less to economic growth.

Graphs: Sanlam

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MANUFACTURING PRODUCTION

A capacity to deceive

Research into capacity utilisation in South African industry has revealed the shocking truth — plant utilisation could be as low as 25%, perpetually damning SA as a Third World producer.

Of course, it all depends on how you measure it

But the consensus is that the official figures showing capacity utilisation of 80% or more are misleading.

According to some businessmen, the average industrial figure is closer to 70%. The most pessimistic guess is 25%.

Government figures estimate capacity utilisation — the degree to which manufacturing potential is used — to be about 80%, and rising. No one disputes that the situation has improved in recent months. Their argument is with the formula used to determine activity.

The present formula takes no account of SA's vast store of manufacturing capacity shut down or "mothballed" during the recession. The moment plant becomes unproductive, it is discarded from calculations. Capacity utilisation estimates can actually go up as plant closes down. If 20% of plant is decommissioned, capacity falls to 80% of previous levels. At the same time, utilisation of the reduced figure is proportionately greater.

To talk of 80% capacity utilisation, therefore, is to talk of 80% of 80%. Some businessmen argue that "mothballed" equipment still ranks as potential capacity and should be used in calculations to give a true reflection of the situation Current figures, they say, paint too rosy a picture and suggest manufacturers are enjoying near boom conditions, when overall production remains well below previous levels. Many companies are actually boasting 100% capacity utilisation at a time when much of their plant is lying idle.

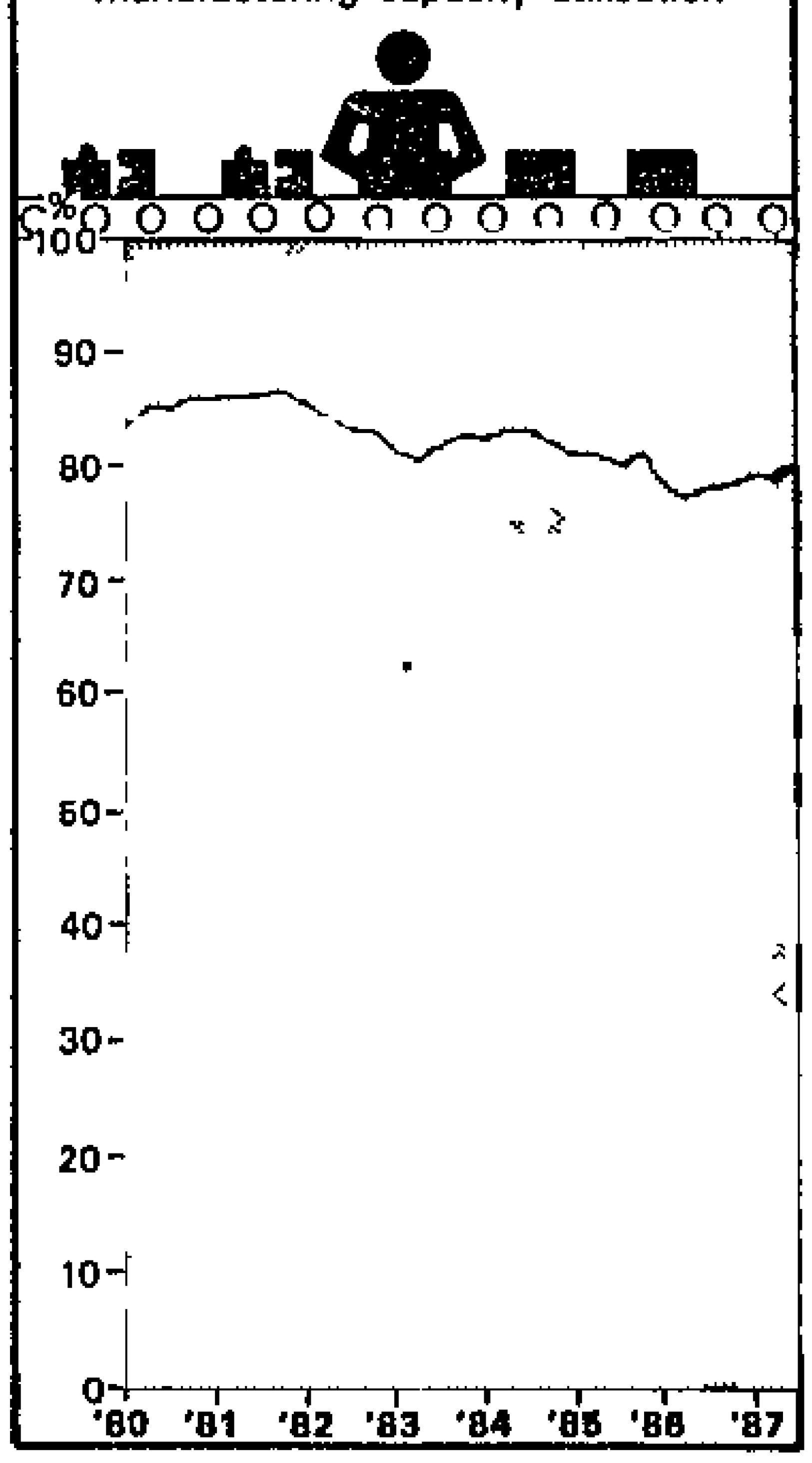
Steel and Engineering Industries Federation economist Michael McDonald, describes Central Statistical Services figures as "very inaccurate We have never trusted them. All they do is measure the capacity utilisation of what's being used."

McDonald also points out that South African utilisation figures are generally estimated on a single-shift basis, although much of the equipment is designed — and used overseas — for continuous production

So even if machinery is used to 70% or 80% of capacity on single-shift, that can translate to no more than 25% when considering its full capacity

Making waves

Official estimate of manufacturing capacity utilisation



"Our equipment is dreadfully underutilised. Our capital productivity is appalling," says Jan de Jager of the National Productivity Institute

Part of the problem may be insurmountable. If SA wants to manufacture goods, it must have the equipment and technology to do so And unless industry is prepared to use out-of-date methods, it must make do with equipment designed for high volume production beyond SA's needs

Some industries, however, are happy with the way their activity is measured. For instance, the motor industry — which has suffered considerable capacity reductions in recent years through manufacturers' withdrawals — saw car production capacity utilisation officially rise from 65% in the first half of 1987 to 80% in the second half.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, argues that utilisation figures should be measured by local industry norms, not by overseas standards

"One could have motor plants working 24 hours a day, for example, but to measure capacity figures in terms of that would be unfair. If the norm is an eight-hour working day, that's how you should measure it." ■

ISCOR

Steelworks blow

One of Japan's biggest industrial corporations has backed out of a R600m deal with Iscor

Mitsubishi Corporation is understood to have cited technical difficulties for its decision not to go ahead with the contract at Iscor's Vanderbijlpark steelworks in the Vaal Triangle.

However, industry sources say the intended deal is probably a victim of the Tokyo government's pressure on Japanese companies to reduce trade with SA

Japan is embarrassed by figures showing that it has become SA's biggest trading partner and is trying to reduce international pressure on it by being seen to be tough on trade with the Republic

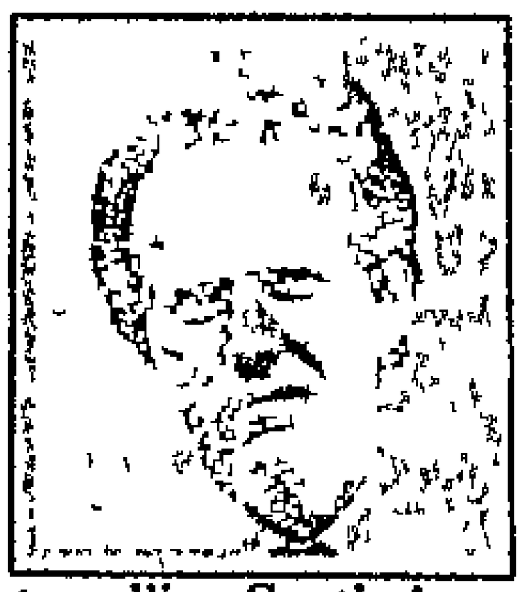
Iscor confirms Mitsubishi has withdrawn from the deal to update the Vanderbijlpark steelworks No contracts were signed, but sources say Iscor management was confident Mitsubishi would accept the project Work was expected to start late this year and be completed in 1990

Iscor management now has to re-think its schedule The contract is likely to go out to tender again, with British, German and Asian companies the likely targets

Meanwhile, Iscor's much-debated depreciation policy is one of the subjects being reviewed by an internal committee investigating the feasibility of privatisation

The committee, due to report to Economic Affairs and Technology Minister Danie Steyn before his Budget debate in May, is concerned about the actual profitability of the steel manufacturing mammoth and its

AWARD-WINNER



The *FM*'s Natal Editor, Louis Beckerling, has been chosen as the 1988 Nieman Travel Bursar.

He will spend three months travelling South America on an itinerary he will be free to choose for himself. One of the requirements is that he write a series of in-depth articles on the political, economic and current affairs of the countries he visits.

Beckerling says a tour of Chile, Argentina and Brazil would be high on his agenda, but that ultimately his destinations would be circumscribed by "the need to find parallels between the socio-political environment and SA."

He is the second journalist to win the bursary, which is raised and administered by the South African Society of Nieman Fellows of Harvard University.

25/3/88 FM

Business Report

Large section of informal business in SA unrecorded

CAPE TIMES 10/6/88 (38)/180

From DIANNA GAMES

JOHANNESBURG — As many as 500 000 businesses out of one million in SA may be unrecorded, providing an income base for up to 3,5m people, Small Business Development Corporation MD Ben Vosloo, said last night.

Speaking at the eighth SA Congress of Chartered Accountants in Durban, Vosloo said a 1987 survey revealed that 22,7% of lower income blacks in Soweto were self employed.

He said the economic activity of the unrecorded sector was too often declared illegal and in spite of some efforts to get the balance right, the scales were still tipped too far against business entrepreneurship

"To the extent that regulations go further than necessary, they will lower profits or raise prices or both," he said.

Top of the list of political and economic phenomena that still retarded black development was the system of land tenure, the dramatic revision of which was a precondition of sustained economic growth in SA

He said the that blacks were now permitted to own property in urban areas was a step forward But there was still massive underprovision of land, partly due to the continued perpetuation of the Group Areas Act.

Another of the phenomena was official government doctrine and policy in terms of which black urban areas were regarded as dormitory towns and not as areas where industrialization or commercial growth should take place

Blacks also did not have the constitutional machinery through which to articulate their objections to government policy, he said

Another major drawback was a bureaucracy that required blacks wishing to register a business to complete as many as 40 statutory procedures

While regulations were necessary, some of the existing ones had little relevance today or were too complex and confusing, he said.

Black consumers already accounted for over 40% of total retail sales and the black consumer market was also steadily becoming more sophisticated

Black personal income was almost 30% of the total in 1980, while between 1980 and 1985 whites' real personal disposable income fell by 18%

Real average household incomes in Soweto have more than doubled over the past 20 years, he said, and the dismantling of apartheid could be expected to contribute towards greatly narrowing the wage gap between blacks and whites

Top 100 companies outpace the economy

Star 16/6/88

180

At more than R11,6 billion, the assets of South Africa's largest industrial group, Barlows, total almost four times the combined assets of all the country's Top 100 industrial companies in 1968.

The Top 100 have grown more than twice as fast as the gross national product in recent years

Collectively, they have also grown almost 100 percent faster than major state corporations like Eskom and Sats

This emerges from a study for Sapa of the growth of the South Africa's largest companies in the 20 years between 1968 and 1988

The study shows, however, that if the market value of the Top 100's holdings in JSE-listed companies is excluded, their growth has been rather less impressive

On this basis — and particularly since the JSE's October Crash last year — the leading state corporations continue to dominate, and organisations like Eskom and Sats continue to hold the top positions in the "allcomers" table

According to the Bureau for Financial Analysis, Barlows assets totalled R11,692 billion in the latest full financial year

The combined assets of all the Top 100 companies in 1968 totalled R2,624 billion, according to figures from the Financial Mail In May this year assets totalled R120,926 billion — a 4 500 percent increase over 20 years

The assets of Eskom grew some twenty-three fold from R1,158 billion to R28,173 billion over the period, and the assets of Sats about ninefold from R2,157 billion to R18,808 billion

By comparison, industrial groups like SA Breweries grew faster — its assets climbed some 3 500 percent to R4,333billion in 1968-88 Off a low base, Barlows assets rose more than 5 000 percent.

In 1988 Anglo American had assets down to R19,65 billion, but this reflects figures from the balance sheet after the October stock market crash last year

In the allcomers league, Eskom still holds the top slot, followed by Old Mutual with assets of R25,7 billion

In the 1968-88 period, the shareholders' funds and taxed profits of the Top 100 both rose some 3 600 percent to R54,679 billion and R6,063 billion respectively

Market capitalisation lifted from R2,152 billion to R49,967 billion — a rise of only about 2 300 percent reflecting the severity of last October's market crash

Twenty years ago, many companies still refused to disclose turnover The Top 10 that did, however, produced a total of R709 million. This compares with an 83 times higher R58 384 billion from the Top 10 in 1988 Ten years ago in 1978 the total for the Top 10 was R6 388 billion, about nine times the 1968 figure and a ninth of the 1988 total — Sapa

Investment in factories could increase

Business Times Reporter

THE manufacturing sector's first quarter growth at an annualised 9% has given rise to hopes that investment in manufacturing plant capacity is on the way.

Spare capacity in most sectors of the economy has seen fixed investment stalled for most of the current decade

But Standard Bank chief economist Nico Czypionka says in the bank's latest review that the volume of unfilled orders has remained constant, indicating that the increase in sales has roughly matched the increase in production

"There are good grounds for believing, therefore, that manufacturing production can continue to operate at least at current levels

"It is thus conceivable that investment in manufacturing plant capacity could now begin to increase"

Mr Czypionka says that in the past "quite marked increases" in investment have occurred at similar capacity utilisation levels

The potential for new investment is particularly evident in clothing manufacture, where production volumes have increased rapidly

"Of course, manufacturing investment is, more than anything, dependent on the expectations businessmen hold about future sales growth and profits

"Since these expectations can be swayed by a number of political and economic currents, they are impossible to forecast with any certainty," says Mr Czypionka

Increase

"But at this stage manufacturing's improved performance has not begun to spill over into increased employment"

He says there has only been a small rise in overtime as a percentage of ordinary hours worked This suggests that there has been an increase in the degree of mechanisation

The construction industry, which has been becalmed since 1982, is also beginning to improve, and the main leading indicators point towards a quickening tempo in the building industry

The sector grew at an annualised rate of 6,6% in the first quarter of this year

The number of building plans has increased sharply, and cement production in the first four months of 1988 was 10,2% above the level for the same period last year

But Mr Czypionka wanrs that the pace of building cost escalation, which can provide advance warning of inflationary pressure elsewhere in the economy, has also accelerated sharply.

In the first quarter building costs were 21% ahead of the 1987 level

The motor industry is still exaggerating the trends of the overall economy

Capacity utilisation in the passenger car sector increased to 92% in March compared with 66% in December 1986 Employment in all motor industry sectors increased 18% in the 15 months, but production still lagged behind demand

New car sales in the first four months were nearly 24% higher than the same period last year and commercial vehicle sales were up 27%

As the sanctions war hots up . . .

Star 5/7/88

More companies go for secrecy

By Christopher Wilson

To evade anti-apartheid sanctions, a growing number of South African companies are using a little-known legal clause to mask the identities of affiliates doing business overseas and conceal information.

Pretoria has already clamped down on details of official trade statistics and no longer provides a breakdown of the country's trade with individual nations

The authorities are now readily granting companies permission to limit their financial disclosure under section 15A of the Companies Act

This essentially empowers the government to exempt companies from normal disclosure requirements if it believes it could be in the national interest

Section 15A states that the Minister of Finance may exempt "any particular information or a particular fact concerning the affairs of the company, or any of its subsidiaries, which would otherwise be required under this Act "

"It's a pretty all-embracing thing," said an analyst at stockbroking firm Mathison and Hollidge Inc "Hundreds of companies are using it and you can cite just about any reason at all when applying for the exemption."

Soviet Union

De Beers Consolidated Mines Ltd, which supplies and markets about 80 percent of the world's diamonds, is one company that uses the secrecy provided by the law to do business through associates in many countries including the Soviet Union and in politically-hostile black Africa

Anglo American, the country's biggest company, also uses Section 15A to obscure the identities and activities of affiliates that hold a wide spread of mining and industrial interests on four continents.

"This state of affairs suits the aims of the government and it has become more widely used since the onset of sanctions," the Mathison and Hollidge analyst said

Rembrandt Group Ltd, a tobacco, liquor and mining conglomerate, has long used the law to avoid disclosing turnover figures as well as any profit derived from its foreign interests in Rothmans International, Cartier, Dunhill and Piaget

Rembrandt has steadfastly declined to reveal the size of its overseas assets

Some of Rembrandt's secrets may soon be known however

Last week the company announced that it would distance itself from South Africa by forming an overseas holding company to be listed on an unidentified European stock market.

"They will definitely have to give out more information than they have been because they will have to meet much fuller disclosure requirements on any major European stock exchange than they have in South Africa," said one stockbroker, who asked not to be named.

Rustenburg Platinum Holdings and Impala Platinum Holdings, the world's two biggest platinum mining companies, are believed to use the law to avoid disclosing production figures

"The platinum producers say they don't disclose production for competitive reasons, but they have been giving shareholders less and less information over the past five years and it is because they view their product as being strategically important," said the stockbroker — Reuter

Star 7/7/88 (180)

Investors in troubled mood

The investing community is worried that the record growth recorded by listed companies in the 1987/1988 financial year is not going to continue in the current year

The two main factors against a continuation of profit growth are an expected recession and the disinvestment campaign

Brokers Frankel, Kruger, Vinderine said yesterday they expected recessionary conditions from the middle of 1988 through to mid-1990.

On the future performance of the industrial board, the brokers said: "The general effect of overseas disinvestment will be to pose new opportunities for cash-strong South African companies Most of the listed companies in sectors where probable disinvestment has been identified have started planning for future takeovers."

It said sectors that would be adveresly affected by a declining rand were motors, pharmaceuticals, electronics and chemcicals

Its predictions for the various sectors were that in building and construction, steel and engineering the outlook for growth was not good because of the lack of fixed investment and that Mosgas and the local construction industry would be the main sources of income

Sectors that were almost recession-proof were pharmaceuticals and medical, food and transport.

Arthur Anderson's Sam Abrahams is worried about profits and the state of the market next year.

A large number of groups that floated before the October crash have signficantly exceeded their forecast earnings In a large number of cases increased earning were owed to mid-period aquisitions rather than to the operations the groups had at the time of flotation.

Mr Abrahams says. "One cannot help but feel, however, that in the current environment. the pressures of the business com- nity expecting improved results from groups have led to ma- aquisitions which, although contributing positvely to earnings in the short term, may cause severe "indigestion" — Sapa.

MEDIA and MARKETING

Firms must look to their invisible assets

#8 (180)

Star 9/7/88

NICK GREEN: Managing director of Markinor.

CHRIS MOERDYK

THE survival of business in its increasingly competitive future will depend on marketers achieving greater product and service quality levels and on companies increasing the development of their "invisible assets".

This was made clear at the recent Gallup International conference in Finland.

One of the delegates, Markinor's MD Nick Green, believes that while the need to increase product and service quality is not new to South Africa, the development of invisible assets is largely foreign to most local companies.

He explained "More and more companies overseas are placing a value on these assets. These are the assets that do not appear on any balance sheet.

"The quality of staff, the value of brands and the value of a corporate image, for example.

"Each of these has a value, but because of the requirements of current accounting practices, they are invisible."

Mr Green added that another key business objective should be to quantify and measure product and customer satisfaction.

"The only way of measuring these two objectives — product/service quality and each of the three invisible assets — is to develop information systems to monitor progress."

DCM lagging behind main board shares

180

Star 11/7/88

By Sven Forssman

The Development Capital Market (DCM), established mainly to provide small companies with the opportunity to raise capital to expand their businesses, has started lagging behind the main board of the JSE, says analyst David Southey

"The DCM was obviously affected by last October's crash, but its big problem is tradeability," says Mr Southey

"There are some very good companies on the DCM, but people have discovered since the crash that shares in this sector do not trade so easily

"A lot of investors are just waiting for their shares to reach what they paid for them and then they will sell

"It's going to take a long time before activity on the DCM reaches the levels attained during the bull market"

Paul Ferguson, initiator of the concept and JSE president at the time the DCM was established, was quoted as saying DCM listings could possibly suffer a worse fate than the shares listed on the main board, "but only because of size and not because of quality. Just as their growth is faster in good times, so they will probably contract faster in bad times".

Mr Ferguson says the DCM was never designed to be a secondary section of the main board, but purely a nursery. Thus, a company listed on the main board could never be demoted to the DCM.

Mr Southey points out that the listing criteria for the DCM are a lot less stringent than those for the main board in terms of profit history, spread of shareholders and pre-tax profit levels.

"Companies on the DCM are not analysed by stockbroking firms in great depth," he says

"I believe companies applying for a listing on the DCM should be scrutinised more closely before being accepted, because investors lose confidence when some of these companies flop"

Stockbroking firm Frankel, Kruger, Vinderine recently investigated the results of 50 DCM companies.

The report said prospectus forecasts had, in the main, been optimistic about the companies' post-listing growth in turnover, earnings and dividends

It was found that 11 companies did not achieve their prospectus forecasts, nine achieved within five percent of their prospectus forecasts and 30 exceeded their prospectus forecasts by more than five percent.

The detailed categorisation by the stockbrokers highlights future main board listings as well as suitable candidates for the main board It also shows companies that did not perform in line with pre-listing expectations

Among the companies thought to be suitable candidates for the main board are Masterbore, Uniserve, Alfa, Quality Tyres and Autopage

Of Masterbore, the report says excellent results were largely due to a strategic acquisition.

The report says it must be remembered "all these DCM companies came to the market during a period when the economy was growing. The positions could possibly be reversed when the economy enters a downward phase".

After a period of relative inactivity, the DCM last Thursday attracted some selected attention, with several shares recording strong advances Topping the list was computer-related Don Gray, which rose by 20c to 55c on high volumes, although it fell back 9c late on Friday.

Analysts defend price performances on JSE

Star 11/May

(180)

By Derek Tommey

Complaints by disgruntled investors that since the share market collapse last October prices on the Johannesburg Stock Exchange have shown little movement, while those overseas have risen strongly, have been refuted by investment analysts.

"It's not true," says a senior analyst at stockbrokers Mathison and Hollidges "I know people have the impression that the local stock market has dawdled along, while oversea markets have risen strongly, but if you examine what has happened on the JSE, you will get a very different picture."

DOW JONES

Since October, the Dow Jones industrial average, the generally accepted measure of American share prices, had risen 22,7 percent and is now 23 percent below its peak, the analyst says.

In the same period, the South African industrial share index has risen more than 20 percent and is now some 27 percent below its peak.

However, the analyst admits gold shares have performed poorly, and this is probably the reason the public has the impression the market is not going amywhere.

The weakness of the gold price, the steady increase in working costs and also the partly forced American selling of gold shares has restricted the rise in the gold share index since last October to 14,0 percent and it is still more than 45 below last year's peak

But the increased interest in gold shares in the past few days suggests that perhaps they are over their worst

But if the bullion sector has failed the investor, other sectors have brought him rich rewards

The demand for rand-hedge shares — those likely to benefit from the slide in the rand against foreign currencies — has helped push fishing shares to 2 percent above their October highs, paper and packaging shares to only 6 percent below their peaks and tobacco shares to around their peaks

It has also pushed up the diamond index to 75 percent above its low, the metal and mineral index (mainly platinum) by 63 percent, paper and packaging shares by 50 percent, pharmaceuticals by 57 percent, steel and allied industry shares by 53 percent and tobacco and match shares by 97 percent

There is now a different set of investors in the market from a year ago, the analyst says

Businessmen with 10-day money seeking quick profits and the ordinary investor are out of it Instead, the professional is making the running

"If you look at the daily volume figures, you will see the market is still fairly active, with turnover about the same as it was in late 1986 and early 1987"

But there will still be opportunities to make money, the analyst says The lower gold price, coming at a time when the balance of payments is likely to be under pressure, is expected to lead to a further fall in the rand to around R2,70 (37 US cents) from about R2,34 (43 US cents) at present

This would lift the domestic gold price to over R1 000 an ounce, which is a most satisfactory price for the gold mining industry

Looking farther ahead, the analyst sees the gold price, fuelled by climbing American inflation, rising to $500 later next year to give gold shares a further boost.

PLATINUM

Platinum shares are also attractive to investors as they appear to be in a three-to-five-year bull trend

Coal shares are beginning to look more attractive following the drop in the rand price, strikes in Australian mines and production problems in China

However, the analyst sees little reason for buying shares of companies active in the consumer goods field

Investors have to be careful about buying shares in this area because the expected slower economic growth rate could restrict the growth in disposable incomes of consumers

Manufacturing boom is losing some steam

(180) Star 20/7/88

By Derek Tommey

The boom in manufacturing appears to be slowing down Figures issued by Central Statistical Services show that factory production, seasonally adjusted, has been steadily contracting since January

The physical output index (1980 100), after reaching a five-and-half year peak in January of 104,7, dropped to 102,8 in February, 101,2 in March, 99,8 in April and 97,9 in May.

Manufacturing production in these months was still higher than a year ago, but the gain has been substantially reduced

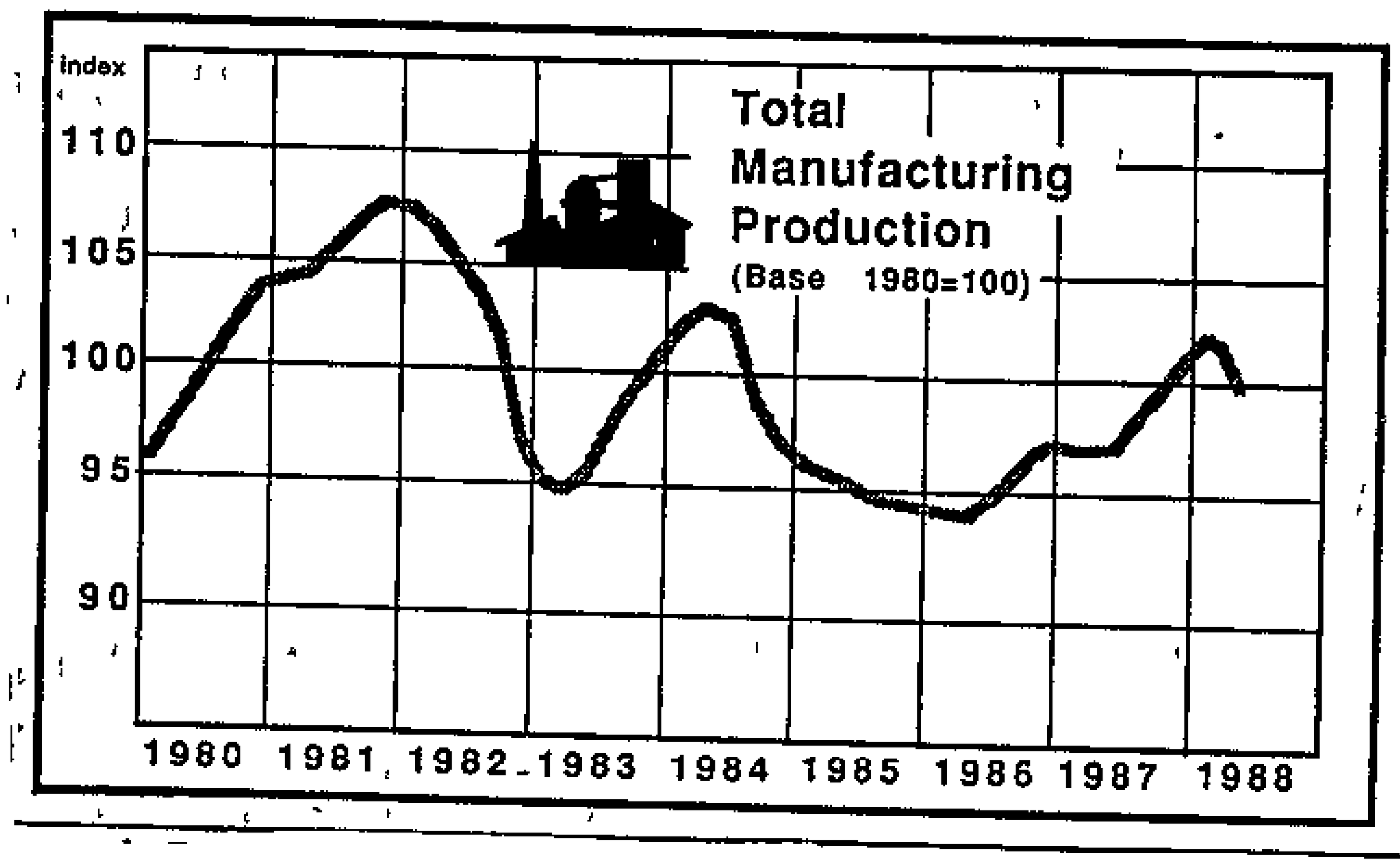
While total production in January was 8 percent higher than last year, in February it was up only 6,1 percent, in March and April 3,4 percent and in May 2,2 percent

However, some sectors were producing even less in May this year than last year These included tobacco (down 2,0 percent), textiles (down 5,7 percent), clothing (marginally down), leather (down 7,6 percent), footwear (down 6,0 percent), paper (down 5,0 percent), printing (down 8 percent), glass (down 2,6 percent), basic iron and steel (down 7,6 percent), and non-ferrous metals (down 10,2 percent)

But some sectors were still doing exceptionally well Production of motor vehicles and accessories was running 24 percent ahead of last year, while output of other transport equipment was 28 percent higher

Output of rubber products was 19,9 percent higher while that of plastics was 24,2 percent.

Mr Michael McDonald, head of Seifsa's economic division, said that production had dropped in May, partly on account of the extra holidays Howeverits index of forward orders, which had been 115 in April and had dropped to 102 in May, had bounced back to 115 in June



Union chief castigates local materials manufacturers (180)

Star 21/7/88

Own Correspondent

CAPE TOWN — The president of the Western Cape Agricultural Union, Mr F J Malan, lashed out at local manufacturers of raw materials whom he claimed were pushing up the inflation rate

Addressing the annual congress of the union in Bellville yesterday, he said these included the manufacturers of paper pulp, plastic raw materials, steel, cement and bricks.

"These products influence the production costs of practically everything in South Africa from packaged foods to housing

"Some of these manufacturers are protected by tariff walls against foreign competition

"However, when world prices increase, they expect the domestic market to pay equivalent prices to those of the export market

"To my mind, this is an unbearable situation

He said the SA Agricultural Union monitored price fluctuations and said it had taken note of the corrugated carton manufacturing project of four co-operatives

"Although this project is in its infancy, it can serve as an example of how our co-operatives can stand together to counter increasing production costs in farming," he said

Negotiating had reduced the price on 80 different tractor parts by an average of 44 percent

19/8/88

BUSINESS

B/Day

SA must manufacture to survive

(180)

Whatever economic policy the government pursues, the best hope for economic growth in SA is for industry to snap out of its trance and work harder at selling its own products, writes Durban businessman MICHAEL WYTHE

SA WILL have to manufacture if it is to survive as a country with First World aspirations. A population bulge which could reach 50-million by 2000 is bearing down on us. How we act now will decide our future in the next century.

Mining and agriculture will not absorb these people, provide them with employment, food and shelter.

We have to manufacture things, from the smallest and simplest to the largest and most sophisticated, and we have to sell them to the burgeoning market which awaits us in Africa.

Everyone agrees that we must manufacture, from Clem Sunter to the man in the staff canteen.

Everyone agrees that precisely nothing is being done, despite the hot air generated by government personalities in support of manufacturing.

Now I am going to say something which many will probably find shocking. Does SA really have a developed manufacturing sector? There are always exceptions, I know, but how much is not really an assembly sector importing overseas manufactured components — importing inflation at a rate of billions of rand?

Why should this be? We have the raw materials, we have a developed industrial culture, we have the university engineering facilities and technikons.

SA manufacturing is in such a bind because it lacks vitality and innovative thinking. It does not set out to research exactly what is needed by markets and then design products which combine quality with competitive price.

The reason, in turn, is that manufacturing is in the hands of the money engineers, those who watch the bottom line. It should be in the hands of the design engineers, those who produce what the market needs and demands.

To continue on an even more profoundly shocking note. Is it not time that the CAs and the MBAs stood aside and allowed industrial design a look-in? CAs and MBAs have their place, of course, but they are not equipped to design what the market needs. So long as they continue to direct strategy, to the exclusion of the design input, our manufacturing will continue to be piecemeal, mediocre, non-competitive and inflationary.

If a consumer is offered a choice between a cheap imported Taiwanese screwdriver, which he will have to throw away after using twice, and a slightly more expensive local product which will last a lifetime, he will always choose the local alternative.

The consumer demands maximum utility for every cent spent — more so in these inflationary times. Do not under-estimate the rationality of the consumer, least of all the black consumer. He demands quality. The big question is: how do we give it to him?

Industrial design is not what many people think it is. It is not concerned primarily with the appearance and consumer appeal of a product; it is concerned with its intrinsic qualities, its effectiveness in meeting a need.

Good design creates good quality at the right price, prompting people to buy products which embody good design and influencing the credibility and profits of companies which make them. By "design" I mean all the engineering and industrial design which goes into a product from the idea stage through production to marketing.

SA managements do not call on industrial design solutions and industrial design hardly exists as a discipline anyway. There are no university courses and only the glimmerings of courses at technikons.

I suggest that this is something which needs to be remedied fast. Unless we are able to judge to a nicety what the world would be prepared to buy from us, and how we can most efficiently produce it, we face a future of stagnation which will be reflected with unerring accuracy in the balance sheets and profit and loss accounts prepared by our money managers.

☐ **Michael Wythe is a Masters graduate, industrial design engineering, Royal College, London, and conducts a design and product development consultancy from Durban.**

Cullinan earnings soar by 41%

Cape Times 25/8/88 180

By AUDREY D'ANGELO
Financial Editor

CULLINAN HOLDINGS — the diversified industrial group with interests ranging from cables to porcelain — lifted earnings for the year to June 30 by 41% to a record 127,6c (90,5c) a share Turnover rose to R414,9m (R262,4m)

The total dividend for the year is 15% higher at 45c (39c) a share

After-tax profit rose by 106% to R21,9m (R10,6m) Operating profit was R43,1m (R20,6m) but the tax bill soared to more than R16,5m (R6,3m).

The increase in earnings, the highest since the 120,6c a share reported in 1981, was achieved in spite of an 11% increase in the average number of shares in issue.

Chairman Neil Cullinan said that the consumer-led economic recovery which began in the second half of 1987 and continued into the first half of this year was showing signs of weakness in some areas

"Efforts to combat inflation may further dampen demand in the rest of this year and the country's economic growth rate in 1989 may be curtailed "

However, he went on, "Cullinan holdings is strongly positioned to counter these factors and I am confident that as a technology-based industrial group we will continue to prosper."

Cullinan said all operating divisions in the group had met or exceeded their targets in the past year.

"Outstanding performances at all operating levels mean that the balance sheet continues to be very strong with a further reduction in gearing during the year from 38% to 20,2%."

A change in the group's accounting policy, which was introduced at the time of the interim report in December, was a switch from equity accounting to a system taking group interests in partnership ventures into account.

"By adopting proportional consolidation for partnerships, a more accurate reflection of the real dimensions of the group is shown as it sets out our share of the assets, liabilities, turnover and profits of these operations"

But, he stressed, "the change does not affect the bottom-line in profits and thus it does not have any effect on earnings per share The figures we have presented for 1987 have been adjusted to the same accounting method and are directly comparable with those of 1988 "

Cullinan said African Cables had been consolidated from September 1 last year when the company became a subsidiary of Cullinan Holdings

The outstanding performances of all the operating divisions reflected the benefits of the group's concentration on expanding its successful core businesses as well as selective growth in new areas

The Star Finance

(180) SAPA 27/9/88.

Manufacturers turning to foreign markets, says BER

Finance Staff

Faced with an expected fall-off in domestic demand, manufacturers are looking overseas to get new business

The finding emerges from a nationwide survey of the manufacturing industry by the Bureau for Economic Research at Stellenbosch University (BER)

The study involved 1 000 firms in 20 sectors of industry

Reviewing the results of the survey, BER director Dr Ockie Stuart says exporters are constrained by difficulties in obtaining cheap raw materials and intermediate inputs They also have to cope with the prospect of further sanctions

"In spite of this, an encouraging feature to emerge from our latest survey is that manufacturers intend to increase their volume of exports during the next 12 months as a result of the expected deterioration in domestic business conditions," Dr Stuart says

Because of the fall-off in demand, the motor industry, in particular, is facing a sharp drop in sales, a situation made more severe by the recent introduction of import surcharges.

Noting that the new import duties came in after a 10-month period in which the rand had depreciated by about 24 percent against the yen, Dr Stuart says the price of cars has had to increase substantially

"Because most motor parts are imported, it is safe to assume that the price of these goods will increase by the same percentage," Dr Stuart says

Passenger vehicles will not be additionally affected by the strict credit conditions, but commercial vehicles will

"In the case of commercial vehicles, the deposit has increased from 12 percent of the cost price to 30 percent, with the repayment period remaining at 42 months This puts yet another constraint on the consumer and thus on the manufacturer," Dr Stuart says

While the curbs will affect luxury goods such as cars severely, they will, at the same time, have an an adverse affect on goods not generally seen as luxury items

"The greatest impact of the curbs on imports, however, will probably not be immediate. The impact will perhaps only be felt next year," Dr Stuart says

Job creation in the manufacturing industry did not live up to expectations in the third quarter of 1988

Dr Stuart says a net 15 percent of the 1 000 firms polled reported an increase in the number of factory workers employed, compared with a year ago

At the same time, 21 percent of manufacturers were experiencing a shortage of skilled labour as a very serious constraint

Referring to the 15 percent increase in factory workers, Dr Stuart says this figure is set to decline between now and the end of the year

(1880)

NON-LISTED COMPANY AWARDS

The right business mould

PLASTIC bottle and closures manufacturer, Elvinco Plastics, has achieved a major turnaround in the last three years and its market is growing rapidly

The company makes plastic blow-moulded and injection-moulded containers and closures for the food, pharmaceutical and toiletry industries on a nationwide basis

When CE Doug De Jager acquired the business in July 1985 from Pepkor its turnover averaged less that R150 000 a month, its factory was situated in small premises in Atlantis with administration and sales offices over 50km away in Cape Town, and the company was losing an average of R60 000 a month

De Jager and MD Julian Sarembock immediately closed the Cape Town offices and situated everything on site at Atlantis

Surplus administration and sales staff were retrenched and urgent attention was given to the serious quality problems

These were so acute that return rates of bottles supplied to certain cosmetic manufacturers exceeded 50% Despite the low turnover figures, the company was dealing with more than 120 customers These were reduced to manageable proportions of about 30

De Jager recalls "Once customers became convinced that Elvinco had the production and technical skills to match its ideas, the company was set off on a controlled growth path concentrating on its relatively small spred of customers, strong within their industries and not severely cyclical in their products

Growth has been accompanied by financial disciplines and restructuring which have ensured that Elvinco has not been burdened with excessive debt

Turnover to Februrary 1988 reached R10,4m (1987 R5m, 1986 R1,3m), operating income rose to R2,4m (1987 R812 821, 1986 R166 000) and net profit after tax to R2,2m (1987 R362 168, 1986 R57 000)

Discussing Elvinco's strategy De Jager says it "has avoided confrontation with competitors on undifferentiated products by introducing its own unique designs rather than simply reproducing the moulds already in the market

"As a result we have been able to gain market share profitably and not "buy" it Such market share gains continue to be made"

Much of the company's growth, particularly in the packaging of edible oils has come from converting customers from other packaging mediums such as glass and metal into plastic

"Further opportunities exist where plastic has an advantage over the other mediums be it in terms of price, weight or any other Elvinco's innovation obviously comes into play again here and a particular area of involvement at the moment is the packaging of peanut butter"

De Jager says at present the black hair care market is providing scope for tremendous growth

De Jager says this could be achieved by way of a greenfields operation or by taking over or merging with a business involved in one of the other areas

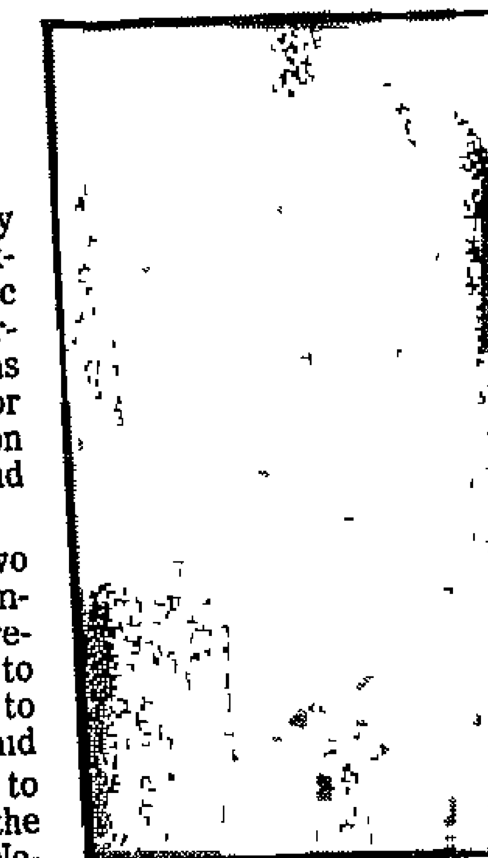
Elvinco is a wholly owned subsidiary of Lenco Holdings, which is controlled by Lenco Investments, of which De Jager is the principal shareholder

Lenco Holdings was the former cash shell, Romanda Investment Holdings, which had Elvinco and another operation reversed into it in mid-1987 and changed its name

Elvinco, which presently employs 175 people, has total assets of R9,2m

It started up as a family business in the 1960s making a wide variety of plastic products but after experiencing financial problems was bought out by Pepkor which focused it strictly on the packaging industry and sold its other divisions

During the following two to three years, the company's market share remained low and it failed to trade profitably This led to Pepkor agreeing to in mid 1985 to sell its 50% stake to De Jager who acquired the balance of the shares in November 1986



□ DOUG DE JAGER

'Hassle-free' home insurance

AUTO & General Insurance (A & G) prides itself in having one of the most up-to-date, "hassle-free" application and claims processing systems in the country

No visit to A & G's offices, no forms to fill in, just a tape-recorded telephone conversation from which details are processed into a computer which can immediately issue a policy or verify the claim and calculate the amount that will be paid out The details are later confirmed in writing

The telephone-taping machines can record 64 conversations at any time and produce one tape a day for all conversations A & G records more than 40 000 conversations a month — 480 000 a year

A total R1,3m has been invested in this equipment, to which MD Stephen Klinkert attributes much of A & G's success It cuts out vast volumes of paper work and costly visits to clients

A & G are short-term insurers specialising the monthly domestic market This includes insurance cover for private motor vehicles, houses, house contents, all risk and personal accident No commercial insurance is undertaken

It has 70 000 clients, claims to hold 2% of the total insurance market, 3,5% of the domestic insurance market and 7% of the monthly market and has budgeted for gross premium income of about R80m in the year to December

The Financial Mail special survey for top companies rates A & G among the top 20 short-term insurers in terms of total assets and premium income and number one in terms of its percentage increase in gross premium income

Klinkert says the decision to focus on the monthly market was made because there was a gap in this area

One of its advantages is that the claims statistics can be examined more regularly so that timely corrective action can be taken and the premium for the forthcoming year can be more precisely calculated

A disadvantage is that there is a lot less income money available for investment

A & G was started in December 1984 when a group of brokers involved in monthly domestic insurance — the present shareholders — bought out an insolvent insurer which had returned a loss of R1,7m for the previous year

Loss-making business was stripped out and by June 1985 the new management was ready to start underwriting new business

Underwriting this business for the six months to end-1985, the new team was able to cover the inherited losses and make a small profit of R46 000

Premium income took off from the R13m in 1985 to R46,6m in 1987, when gross claims totalled R28,4m and those paid out equalled R11,7m (R9,7m outstanding) This gave a claims ratio of 61%

Ideas have translated into cash

MOVING to Babelegi in Bophuthatswana was a highly profitable step for Tswana Steel — manufacturers of steel products such as beds, office furniture and sheet metal, wire and wire products

Since the move in 1978, four years after its formation, turnover has grown by a compound 39% In the 1987 financial year turnover reached R24m with a target of R30m for 1988

Decentralisation benefits provided much of the attraction

MD Div de Villiers says that, at the time of the relocation, the company "had nothing but ideas and the will to work — the typical under-capitalised SA manufacturing operation.

"The government and the people of Bophuthatswana and their development corporation, the BNDC, made it possible for us to increase our turnover," De Villiers says

At the time, Tswana Steel was only making beds, but in 1981 the sheet metal section was added and later it expanded into wire manufacturing

As the product range broadened, so did the customer base, which was at first limited to institutions such as schools, military, police and hospitals but grew to include the mining, retail and office furniture sectors

Export markets, too, opened up from 1984 onwards so that today Tswana Steel derives 20% of its turnover from the export of intermediate and finished wire products

And Technical director Walters says they hope to expand into exporting computer-based office furniture

Any company operating in a decentralised area immediately raises sceptical eyebrows regarding the level of wages paid, as these areas are usually not unionised and not subject to any minimum wage legislation

They also have to defend themselves against the criticism that without extraordinary decentralisation benefits they may not have been as successful as they have been

Tswana Steel employs 700 people at its factory and though Walters would not disclose the wage rates paid, he said the company was providing employment in a depressed area

He says decentralisation benefits are nearing their end No export benefits accrue apart from discounts on the prices of raw materials and Tswana Steel is subject to a 40% Bophuthatswana tax rate

Walters says that unlike those who move into decentralised areas to make a quick buck and leave after the concessions expire, Tswana Steel is firmly based in Bophuthatswana and is committed to ploughing some of the profits made back into the community

He does not disclose what proportion of profits are spent on community programmes but says a soccer stadium has been built and sport teams sponsored

On the road with Frank & Hirsch

THE origins of Frank & Hirsch, distributors of a wide range of international products, go back to the mid-1930s when Fritz Frank and Helmut Hirsch arrived from Germany

Today Frank & Hirsch comprises about 260 employees with a head office in Johannesburg and branches in Durban, Cape Town and Windhoek

It has exclusive distributorships of photographic equipment, personal care and household products, audio and video equipment, watches, security systems and calculators

A far cry from its humble beginnings when the partners, with one small suitcase of jewellery samples, £40 between them and a Chevrolet with a dicky seat bulging with their worldly belongings, headed for Johannesburg to found the business

PREMISES

Premises were rented in President House for £2-10s a month

They covered the whole of the country including what was then Southern Rhodesia Their car housed the entire Frank &Hirsch range and they often sold samples en route to help pay hotel bills

The number of agencies grew to include handbags, leather and fancy goods, Bic ballpoint pens, Stowa, Enicar, Jaeger-le-Coultre and Citizen watches and Sheaffer and Watermans fountain pens

In the late-50s and early-60s photographic and audio ranges were added

STRATEGY

A year of major changes in strategy was 1967 It was decided that the company should become specialised distributors only of internationally branded products and would accept only exclusive agencies

Today these brands include international leaders such as TDK, JVC, Aiwa, Nikon, Olympus, Braun and Citizen watches Having been in the field a long time, and with a proven track record, Frank & Hirsch is in a strong position to obtain exciting new exclusive agencies

A close relationship is maintained with principals through regular visits overseas and they provide valuable advice on marketing campaigns and strategies

Joint-MDs Oscar Berman and Errol Guggenheim attribute much of the company's success to the strength of the brands distributed and to niche marketing

In addition, the novel idea of specialist travellers for each product was introduced That meant one customer could be visited by as many as 10 representatives with each concentrating on a particular product.

LOSS

In 1984 the company suffered an exchange loss and interest rates rose to 25% a annum This resulted in an interest cost to the company of more than R4m

Urgent action was needed and the directors realised that, if Frank & Hirsch were to continue trading, immediate drastic steps would have to be taken These were

□ Product line profitability was examined and trading in products that did not meet certain criteria was instantly discontinued. For example, the sunglasses division was closed and the agencies sold,

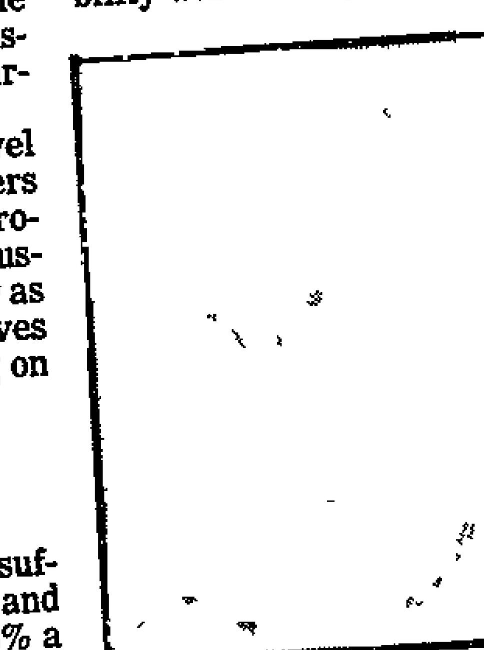
□ The responsiblities of each employee was investigated and staff was reduced from 460 to the present 260,

□ Stock levels for each product group were determined and strictly adhered to This resulted in the value of stock-on-hand being reduced dramatically;

□ Credit terms to customers were reduced and strictly controlled The amount owed by debtors was reduced, and

□ Foreign exchange transactions were covered in full to eliminate further exchange losses

As a result of the prompt and decisive action profitability was not only restored



□ HELMUT HIRSCH

but showed a remarkable turnaround Market shares of various products have grown at a rate higher than the average growths in their respective markets during the past two years

DOMINANT

Today the audio/ side of the business is nant. Other major di are photograph watch. Within e gory of product various brands different tar

Guggenhe expansion t retained i

STONE & Allied SA — which is involved in the manufacture and sale of crushed stone for the construction and mining industries — has been chosen as a finalist in the non-listed company competition for the third successive year.

Last year was Stone-& Allied's best-ever year, a year in which record levels of production, profit, sales and productivity were achieved, says MD Doug Rowland

"This achievement was highlighted by our being able to contain the unit cost of sales increase throughout 1987 to below inflation level versus 1986 — this contrasts with the increase in costs experienced in our industry of 34%"

Rowland says the company is presently investigating the possibility of diversification to achieve profit substitution. He is unwilling at this stage to disclose the nature of the diversification except to say it is in a stone-related area

TURNOVER

The need for the step arises from an anticipated slowdown in turnover growth due to completion of two major road construction contracts.

In the year to December 1987 turnover grew 37% to R20m Projections for normal business for 1988 anticipate a reduction of 12% in turnover though this will come off 1987's high base

Formed originally in the Free State in 1949 by Anglo American, Stone & Allied branched out to the Carltonville area to supply Western Deep Levels mine At present it is also selling in the area between Johannesburg and Pretoria

The company purchases the waste rock deposits of mines and crushes it for use by the mining, civil engineering, building and road construction industries, for mass concrete and underground ballasting and for concrete bricks and precast products

Special products include stone for road surfacing and sand for slurry sealing on roads

Since June 1982 the company has expanded rapidly from owning and operating four to 13 plants

TEAM SPIRIT

The methods of expansion varied widely, including building an entirely new plant, acquiring three existing crushing and screening companies, acquiring the assets of three plants on the Vaal Reefs Gold Mine, and by designing and building two mobile screening plants, to one of which a crushing facility was subsequently added

This emphasis on quality, Rowland says "has on numerous occasions enabled us to sell our materials to "quality conscious" buyers — for example provincial roads departments and to contractors working for the National Transport Commission — in competition with plants situated much closer to the work"

Another reason behind its success, says Rowland, has been the creation of a strong team spirit among its employees

In 1985 the staff built and commissioned a working model of a screening and crushing plant which was exhibited at the local trade shows from 1985 to 1988, upgraded each year

used with the chairman, Helmut Hirsch, still visiting customers personally All managers are intimately involved in the day-to-day running of the company," he adds.

One of the original partners, Frank, died earlier this year and left a strong personal stamp on the company he helped to form more than 50 years ago

(180) B/day 4/10/88

NON-LISTED COMPANY AWARDS

PERIOD OF GROWTH IN COSMETICS

THE past three years have been a period of diversification and growth for direct-selling company Avroy Shlain Cosmetics, the success of which is demonstrated by the doubling of gross sales in this period

The growth of the company — which manufactures and sells a wide range of cosmetics — has consolidated its position in the market place and made it one of the largest cosmetics companies in SA

CE Avroy Shlain says the product range has been expanded and he claims more than 5% of the cosmetics market Production expansion was vital, he adds, as to be a one-product/one-market company is a "dangerous strategy" in SA

"We took a decision in 1985 to diversify the company in the market we know best — the cosmetics market — and routinely seek out new opportunities in our allied markets with a view to bringing to bear the company's expertise and entrepreneurial flair on business sectors which are deemed viable over an extended period

"Enterprises of this nature are only considered where Avroy Shlain is in a position to exert a major control and influence"

Diversifications include entry into the export market, focussed marketing by several divisions targeted at different sectors of the market and the manufacturing of cosmetics for a number of organisations under contract

At present successful direct-selling operations have been established in Israel, Mauritius, Malawi, the UK and the East

An export department supports the staff of these operations on a day-to day basis with product training and sales information, while in order to maintain a close relationship sales staff of these overseas operations are brought to SA each year to the company's annual sales convention

Avroy Shlain has also become involved in contract manufacturing for a number of organisations in SA, assisting in their drive to replace imports

He believes there is a large and growing market in black cosmetics which is untapped

"We have seen this opportunity and have set up a joint venture with Springex, a public company, which has extensive experience in selling to the black market We have contributed our cosmetics experience and the synergy of the two companies will result in a a major thrust in this market Products were launched in August and we predict that we will have a 10% contribution to turnover in the 1989 year"

Shlain started Avroy Shlain Cosmetics in 1973, developing a product specifically for SA's climate — low humidity, extreme seasonal temperature changes on the Highveld and the harsh ultra-violet rays of the sun

Striving for a national name

STUTTERHEIM-BASED Boardman Brothers, manufacturers and nation-wide distributors of a wide range of products, has undertaken an intensive drive over the last two years to gain acceptance by the major distribution chains and a national listing of its products

Previously its main focus had been on the black market and contact was made with the chains only on a limited regional basis

Future expansion is to be achieved by means of sales to the large supermarket, cash-and-carry, wholesale and corner-store chains, most of whom operate on nationally

Boardman Brothers consists of Boardman Bros in Stutterheim and its subsidiary Boardman Bros (Natal) in Ladysmith It manufactures, repacks and markets petroleum jelly, writing ink, disinfectant, candles, oxides, putty, distemper, emulsion paints, other paints, furniture polish, floor polish, dishwashing liquid, ice pops and nails

Such a wide range of products has its difficulties — about 300-400 raw materials are required and being so far from business centres makes procuring them a problem But MD Dennis Boardman says its advantage is that it gives the company a broad spread of the market

To gain a foothold in the chains, a national sales manager was appointed to travel to the major centres and visit head offices

New agents in Cape Town and Johannesburg have also been appointed to achieve a greater penetration of this market

Also, in June 1985 a new factory was established in closer proximity to Reef and Natal markets

Boardman says the struggle for acceptance of the company's reliability and quality of service is tough However, success has been reasonable and at present about 10% of the company's turnover comes from the major chains, with the rest being derived from wholesalers and retailers

The chain store industry has its own peculier methods of operation, the nuances and methods of which had to be learnt

Additional costs also had to be absorbed and packaging updated to reflect bar codes and other identifying marks

"The exercise has involved a rather steep learning curve but has been well worthwhile from a projected sales point of view The policy of the management of the group has been to tackle only what is viable in terms of our resources"

The focus on the chains was also made necessary by the fierce competition in about half of Boardman Bros' product lines by manufacturers in the decentralised areas of the Transkei, Ciskei and certain border areas, who enjoy higher industrial concessions

This increased price competition, together with a depressed economic climate, made the last three trading years particularly difficult.

Boardman says an aggressive marketing policy was adopted and a strategy embarked on to upgrade the quality of all products to counter this threat

A certain amount of product beneficiation has also increased market share

In the case of petroleum jelly, for example, the blending of the product with a dye and perfume increased sales by 26,5% in the first year, 36,9% in the second year and 110,7% in the first quarter of the current year

"This product is now being imitated by our opposition," Boardman says

Turnover in 1988 was R13,5m (R11m)

Boardman Bros was established in 1969 by Newton and Dennis Boardman, both traders in the Transkei who had been forced to sell up when the Transkei became independent

Since then, as the business has grown, the product range and staff complement has been increased and most procedures are now computerised

Keeping steel rolling

BARTONS, the precision steel tube manufacturer in the Ribor Industrial Holdings (RIH) group, has achieved its success through concentrating on productivity, exports and value-added products

Bartons is the third largest tube manufacturer in SA, dominating certain sectors of the cold rolled tubing market and certain sectors of the highly competitive hot rolled market It produces more than 10 000 varieties of tube

It specialises in production of precision steel tubing and services a wide range of customers in the building, construction, mining, agriculture, furniture, automotive and power-generation industries

Operating in an industry that is overtraded and highly competitive, its margins have come under severe pressure and so the key to survival has been improvements in productivity The company received a bronze class award from the National Institute for Productivity this year

Michael Gahagan, Bartons MD and group MD of RIH, says there is major overcapacity in the industy — 2½ times more than needed to meet domestic demand

This has come about because of use of substitute products such as plastic, copper and concrete, investment in new capacity outstripping demand, and slackening off of demand In this situation, it is almost impossible to pass on cost increases, and margins can be protected only by productivity improvements

Gahagan says there has been a dramatic improvement in profitability and Bartons is the most successful company in RIH in terms of returns About R2m has been earmarked this year to improve efficiencies

There is also a strong focus on exports, which will also help margins through greater economies of scale

Bartons' exports have grown dramatically since the trade was first started four years ago and they now constitute 30% of total output. In 1987 it won the State President's award for export achievements.

The third strategy is to concentrate not just on the manufacture of basic products but on value-added products The emphasis is on a low cost product with a high value added component

Bartons emerged from the merger of Metal Rolling & Tuge and Bartons Tube and Conduit, bought by Metal Box in 1976 In 1983 Barlows bought out the SA interests of Metal Box Plc and Bartons was incorporated as a 100% subsidiary of Robor Industrial Holdings.

It began a rationalisation programme, reducing its five factories to two, both based in Boksburg

(90)

South African Non-Listed Company Award

A Business Day Survey

Written by LINDA ENSOR

Festo keeps profits in SA

FESTO is the only finalist in this year's contest which is foreign owned — it is a wholly owned subsidiary of German company Festo

Established 12 years ago it has become a leading supplier in SA of pneumatic equipment and of pneumatic and electronic control systems

Although it is foreign-owned, all profits are ploughed back into the company and no dividends are repatriated

With a beginning in woodworks, Festo has progressed through pneumatics, elector-pneumatics and hydraulics and the company is now entering cybernetics and sensors

It supplies its own manufactured as well as imported control systems to the textile, food footwear, automotive and mining industries — wherever low cost automation is required

The new cybernetics division, which was started up last year and consists of a number of technologies including pneumatic and electronic, enables Festo to offer complete "turnkey" control systems which it fabricates, instals and commissions, and provides the software and trains the operators

Cybernetics is a system that provides solutions to problems in control engineering The package includes problem analysis and system planning employing computer-aided drawings and engineering methods

Its other division is involved in the technical training field and contributes about 15% of profits Seminars are held to train people in pneumatics, hydraulics and electronics, hardware and software is sold to training centres — for instance those run by the Chamber of Mines — and books are distributed.

Being a subsidiary of a foreign company has benefited Festo, says MD Kurt auf der Heyde, who has been running Festo for the last 12 years. It has access to the parent's research and development resources, and also manufactures some of its products locally

The only other exports it is engaged in is the sale of its training equipment in the neighbouring countries of Botswana and Zimbabwe

Festo is based in Isando and has branches in Cape Town, Port Elizabeth, East London, Durban, Vereeniging and Pretoria

It is a German company, but Auf der Heyde says Festo feels that "with SA a country in both First and Third World development, Festo's supply to the industry of the range of pneumatic and electronic control equipment, as well as electric and air tools — and the backup of the training division — contributes towards the upgrading of the SA marketplace and the people so vital to it

"Not only are we supporting industry but we are helping to assure continued industrial growth and as such we cannot be supporting apartheid

"Through our technology we are also upgrading workplaces some of which in this country that are dangerously Third World"

Auf der Heyde sees considerable growth for a business like Festo in SA because "it is an absolute necessity for it to become more competitive in the world market through the manufacture and export of our goods".

Festo's parent was established in Esslingen, Germany, in 1925 with founder Gottlieb Stoll's "mechanical workshops".

FRANSAF IN POUND SEAT

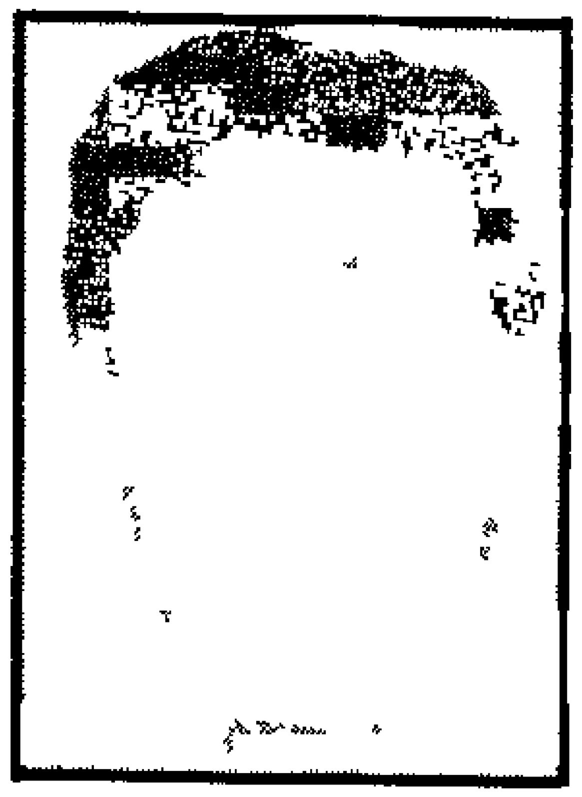
BRITS-BASED plastic injection moulding company Fransaf manufactures plastic components for the furniture industry.

A large number of schools and most stadiums including Ellis Park, Loftus Versveld and the Verwoerdburg stadium have been fitted with chair shells made by Fransaf — which claims to be the biggest in SA in this line of product

The company also makes garden furniture and was the first to introduce into SA a system for refuse removal based on wheeled containers

Presently the possibility of making plastic parts for motor vehicles such as bumpers, dashboards, wheelcaps and fans is being investigated

Its Brits factory has 14 injection moulders ranging from 70 to 2 600t.



DENIS GENTON

About 150t of plastic is converted each month, although the plant has the capacity to convert 400t a month

Turnover for the 16 months to end-June 1988 is R9,5m and the compound-profit growth rate over the last three years is 25%

MD Denis Genton says that while some of its products are exported, exports have become increasingly difficult because of sanctions and because high freight charges

He attributes the company's success to its up-to-date plant and machinery, which is the key to producing competitively priced products

The Vitrex four triumph

THERE is little point in working for others when the opportunities exist to do the same thing on an improved basis for yourself

This appears to be the view of four former managers of Hendler & Hendler and its subsidiary, Hendler Seaporcel — a manufacturer of vitreous enamel products for the building industry

After the Hendler family sold the company, a conflict in style developed between the management of Hendlers and the new owners, culminating in the resignation of Allan Friedman, Boris Yawitch, Jorian Catzel and Franco Bellavia, who left in 1984 to form Vitrex

Friedman became chief executive, Yawitch took responsibility for marketing, Catzel became financial director and Bellavia took control of the factory

Moving quickly, they had by 1985 acquired the business of Architectural and Engineering Contractors (AEC), which for 14 years had been a competitor of Seaporcel, particularly in the field of vitreous-enamel school writing boards, where it held 25% of the local market

Vitrex, with a factory in Witfield which employed 22 workers, started selling its products in March 1985 and concentrated mainly on the production of chalkboards for schools

An agreement with the European vitreous enamel manufacturer Alliance Emaelsteel of Belgium for the sole SA licence enabled Vitrex to move into the production of more sophisticated writing-board systems for tertiary educational institutions and commerce and industry

The Alliance agreement also allowed for expansion into the field of building panels produced from vitreous enamel

Vitrex was still in direct competition to Seaporcel, but by increasing its marketing and product range, it made steady inroads into the local R10m-a-year vitreous enamel market and in March last year acquired the stock, equipment and trade marks of Seaporcel, which then ceased to operate

Having removed its major competitor, Vitrex was now a local market leader

During 1988, supply and installation work commenced on several large contracts for vitreous-enamel wall cladding Included were new building developments in SA and major export contracts to the Far East and Swaziland

The firm was recently awarded a R500 000 contract to line an underground station in Hong Kong and was still in the running for contracts for the lining of 100 underground stations in Taiwan

Far East markets, particularly educational institutions in Hong Kong, also presented growth opportunities for Vitrex, said Friedman

He said Vitrex was now the only SA company capable of producing 100% local-content vitreous-enamel wall-cladding panels, which in the light of surcharges, currency fluctuations and threats of sanctions, gave it a strong competitive edge over the imported variety

The major area of growth was external cladding — a market which had up to now been dominated by exports, plus Vitraflex toilet and changeroom cubicles which have been extensively installed in industrial and mining projects throughout SA

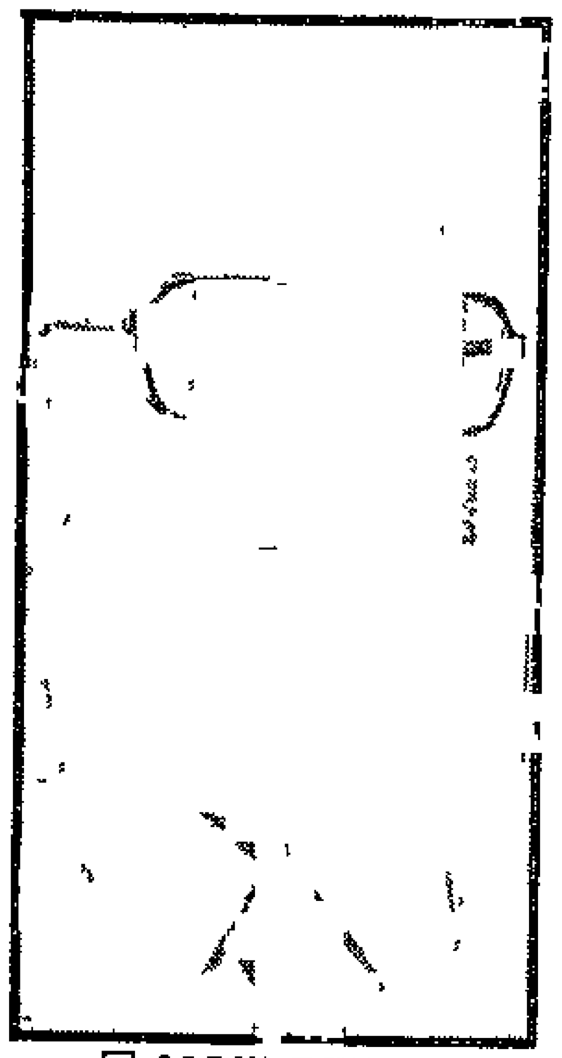
As a result of the increased demand for its products, Vitrex was forced to seek larger premises

A 15-ton enamelling furnace was installed for the manufacture of a wide range of vitreous enamel panels

By April 1988 Vitrex had achieved a sevenfold increase in turnover and its annual pre-profits in the third financial year had shown a tenfold increase compared to its first financial year

NON-LISTED COMPANY AWARDS

NCD gives farmers a good deal



☐ JAPIE DREYER

NATIONAL Co-operative Dairies (NCD) is a prime example of a huge enterprise conducting its business quietly out of the public eye but nevertheless playing an important role in the economy

Owned by its 15 000 members — 8 000 of them active dairy farmers — NCD dominates the markets of most dairy products, claiming an average share of about 33%

Turnover in the year to end-June 1987 reached R646,6m (R579,9m) to give a net income of R12,8m (R8,9m) for the co-operative and CE Japie Dreyer said the 1988 year was "reasonable"

The co-operative, which employs 7 000 people, collects, transports, processes, handles, manufactures and markets dairy products and has been for many years at the forefront of new developments in the dairy scene

Brand names include Clover, Elite butter, cheese and milk powder, Ultramel, Tropika, Inkomazi sour milk, Usutu mageu and Blaauwkrantz cheese

NCD's board of 11 directors is elected by members at four AGMs held in different parts of the country and represents the 11 regions in which NCD collects milk

Any dairy farmer can become a member as long as he farms in areas in which NCD is active

In addition to buying farmers' milk, NCD supplies milking equipment, its Milkrite machine being a market leader, and supplies stock feed, textiles, veterinary machines and spare parts It also advises farmers on how to run their farms more effectively

To join a minimum fee of R1 500 is paid, which is the value of the shares issued to the member

The number of shares issued to each farmer is 15% of the average value of the total milk supplied to NCD over three years and as these volumes increase, so the capital invested is adjusted to give the member a fair stake in the co-operative

Profits are distributed by way of bonuses and a dividend (interest on share capital), at least 25% which will be in cash with the remainder being used to build up the share capital if this is necessary

The member usually receives 2% of the value of milk sold to NCD and about 35-40% on his investment

In 1987, NCD with Eskort Bacon Co-operative obtained control of Sacca at a total cost of R13,5m, giving it greater dominance in the cheese market

Dreyer says new products are continually being introduced

A major development underway is the R52m new factory being built in Queensborough, Durban. The operation at Congella will be moved to this plant Also plans are on the drawing board for the reconstruction of the Johannesburg factory during the next two to three years which could cost in the region of R30m

Dreyer says the industry is a highly capital intensive one — for every R2 of turnover, R1 has to be invested in plant most of which is imported at high cost This is the reason for its high level of borrowings which at R170m now represent about 65-70% of total assets

NCD's head office is situated in Roodepoort, Transvaal, while the operations head office is in Heilbron in the Free State

WIDE VARIETY

THIS year's 20 finalists cover a wide spectrum of industries and include·

☐ A M Moolla — a Durban-based clothing manufacturer

☐ Auto & General Insurance Co — a short-term insurer

☐ Avroy Shlain Cosmetics — a cosmetics manufacturer and direct selling company

☐ Bartons — precision steel tube manufacturer

☐ Bell Equipment Co — manufacturer of trucks, tractors and other vehicles

☐ Boardman Bros — manufacturers and distributors of a wide range of products

☐ Deemster — an asparagus farming and canning company

☐ Elvinco Plastics — a plastic bottle and closures manufacturer

☐ Festo — supplier of pneumatic equipment and pneumatic and electronic control systems

☐ Frank & Hirsch — distributors of a wide range of international products, incuding audio and sound equipment

☐ Fransaf — plastic injection moulders

☐ National Co-operative Dairies — a co-operative of 1 500 farmers which is the country's largest producer of dairy products

☐ NF Die-Casting — producers of aluminium diecast components for the automotive industry

☐ Ogilvy & Mather Rightford — an advertising agency

☐ Rand Air — a company...

☐ Stone & Allied Industries — manufacturers of crushed stone aggregates supplied to the construction industry

☐ Tswana Steel — a manufacturer of steel products

☐ Van Reenen & Nicholls — a specialised steel cutter

☐ Vitrex — a manufacturer of vitreous enamel products

☐ XPS Services — a company providing a national express freight service

(180) 4/10/88 B/day.

Moolla sews up future

NATAL-BASED A M Moolla Group has, under the leadership of CE Ahmed Sadek Vahed, expanded rapidly during the past 10 years to become the second largest privately owned clothing manufacturer in the country

And with major plans underway for it to penetrate the export market, its future growth is likely to be exponential The company is aming at a turnover of R150m by 1991

The group's achievement lies behind its selection for the second successive year as one of the top 20 finalists in the SA Non-Listed Company Award contest

In relation to companies listed on the JSE, A M Moolla is probably the fourth largest clothing manufacturer in SA, incorporating eight subsidiaries employing a staff in excess of 6 000

The average turnover growth during the last five years has been 30% and the average profit growth has been 19% In the last financial year, a turnover in excess of R80m was achieved compared with the R6,7m of 1976 Turnover of about R95m is budgeted for this year

The group has six marketing companies and eight production plants — one in Durban, one in Hammarsdale, five in Isithebe and one in Ulundi

Vahed says a sixth manufacturing plant at Isithebe has been commissioned at a cost of R6m and will come on stream in July 1989 This will increase existing capacity at Isithebe significantly and gear up the group for its planned thrust into export markets

Little is now exported, but as the clothing industry expects the report of the Board of Trade and Industry on the structure of the clothing and textile industries to identify clothing as one of the prime industries to conduct an aggressive export campaign, the group is making preparations to take part in this drive

Vahed says SA-exported clothing will not, even with a weak rand, be able to compete with Taiwanese and Korean products, and so the group is looking to the middle and high fashion markets in the UK and EC

The wide range of products manufactured by the group gives it versatility — of all the categories of clothing only men's suits and men's underwear are excluded from its range In Vahed's view, this is one of Moolla's strengths as it enables customers to get all their products from a single supplier

About 60% of goods produced is targeted at the budget "Third World" market and is supplied to various chain stores under their own house brands

The major chains, such as Edgars, OK Bazaars and Pepkor, take up between 75-80% of the A M Moolla's total product Close relations are maintained with the chains and Vahed attributes the group's success as much to their loyalty as to the expertise and dedication of his management team

Each company in the group has its own design team which visit world clothing fairs together with the buyers from the chains and work together with them to draw up proto-type samples Between 70%-80% of the output is presold

Factories are operating a six-day week at optimum capacity, the order books are full and manufacturing for winter '89 will start shortly Vahed says 1988 has been an excellent year

Majority rule seen as inevitable for SA

(180) B/day 5/10/88

Rupert's attack on apartheid 'important'

LINDA ENSOR

REMBRANDT Group executive director Johann Rupert's attack on apartheid this week, in which he said SA had been left in a mess, has been hailed as an important statement.

Senior businessmen present when the speech was made said it was encouraging to hear an Afrikaans businessman of Rupert's stature speaking out so forcefully.

Rupert said, at the SA Non-Listed Company Award banquet in Johannesburg, that majority rule was inevitable, the question being not whether blacks would share power but under which kind of system this power-sharing would take place — a totalitarian or free-enterprise system

He said "Although I am not a proponent of it, I have come to the conclusion that majority rule will be inevitable in my lifetime."

The origins of the "mess" SA was in went back 40 years when people believed they had to create separate states Although many believed apartheid to be morally unjustifiable and, practically, not implementable, Nationalist propaganda prevailed and for 40 years South Africans had been indoctrinated against any form of power-sharing.

"The irony of it all is that their propaganda was so superb, it is now being used against them by the Conservative Party."

Rupert said that in any dealings or negotiations it was obvious that one should talk from a position of strength

On that basis, government should be talking now to all groups, from the CP to the ANC, about the country's future

The time had come when business had to ask itself whether the unpopular things had to be said.

Reacting to the speech yesterday, Times Media MD Stephen Mulholland said Rupert was part of a new wave of young South African thinkers.

"He is like many other able and committed young South Africans acutely aware of the need for visionary and inspiring leadership in SA today."

Professor Andy Andrews, dean of Wits Business School, said the speech was highly significant. "When the scion of the major Afrikaans business empire makes a speech about the role of businessmen and what they can do to change it, it is a significant event"

● Comment: Page 8

Garment union meets employers to negotiate working conditions

Daily News 9/10/88

(180)

By VASANTHA ANGAMUTHU

THE Garment and Allied Workers Union today meets the Natal Clothing Manufacturers' Association to negotiate wage increases and working conditions for 43 000 workers.

The union has a living wage campaign.

A union spokesman said maternity leave benefits would be top of the agenda because 83 percent of the workers in the industry were women.

"We are trying to secure protection for these women who form the backbone of the industry. Our proposals include that no worker is to be dismissed or retrenched while on maternity leave, those on maternity leave be paid for six months and employers transfer pregnant women to jobs that are not too strenuous.

"Subject to doctors' recommendations, this leave should be lengthened. Employers must take necessary steps to sort out social and security benefits," he said.

The union is also aiming at securing a R35 across-the-board increase for the lowest paid workers in the manufacturing sector.

The spokesman added that the union would also attempt to secure annual wage negotiations as the present system of holding negotiations every two years meant wages could not keep pace with inflation.

Other demands included that June 16 and March 21 be paid public holidays, annual leave be extended from 15 to 20 working days, a shift allowance increase of 15 percent, reduction of working hours to 40 a week and and three days paternity leave.

"We are making these demands in an attempt to improve the quality of the lives of the lowest-paid in the manufacturing industry," said the spokesman.

NCMA chairman Alberto Rolando confirmed his association would be negotiationg with Gawu

Unit trusts pursue rand hedge stocks

STAR 7/10/88 180

By Sven Forssman

The flight into rand-hedge stocks by unit trust funds, which started in the June quarter in anticipation of the further weakening of the rand, continued during the September quarter.

On the whole, the September quarter was a much improved one and gains were in the majority

Old Mutual Investors' Fund declared a distribution of 35,94c for the six months to September 30, bringing the year's total to 61,98c, an increase of more than 33 percent over the previous year

The Investors' Fund grew by R78 million to more than R1,1 billion during the past quarter, with the repurchase price increasing by 6,8 percent.

Portfolio manager Rowland Chute said the fund reduced its level of liquidity to 21 percent.

Old Mutual's Mining Fund experienced a quiet quarter and its liquidity level remained virtually unchanged. Among the new holdings purchased were Hartebeesfontein and Consgold.

UAL Unit Trust, the largest of the four UAL trusts, added 165 000 Barlows shares to its portfolio and increased its holding in Robor and Tiger Oats It also reduced its liquidity from 14 to 13,3 percent.

UAL Mining and Resources, which focuses on rand-hedge investments, purchased a 150 000 Lebowa Platinum shares and consolidated its position in Anglovaal, while bringing in a new holding in Barnex at the expense of its holding in Randex.

UAL Selected Opportunities, increased its holdings in First National, Time, Boumat, Jaguar, Control Instruments, Clyde Industrial, NEI Holdings and NEI Africa, Subroc, Toyota, CNA Gallo, Lion Match and Laser. As a result, its liquidity declined 21% from R9,6 million to R7,1 million

Sage Fund established new holdings in Kinross, Lebowa Platinum and Pioneer Property Fund, while increasing its holdings of Allied, Gencor, JCI, Genbel, Federale Volks

Sage Fund's 10 largest holdings at the quarter end were Rembrandt Beh, Rembrandt Group, Anglo American, SAB, Sage Holdings, Goldfields SA, Allied, Barlows, De Beers and Plate Glass.

Investment activity in **Sage Resources Fund** was reflected in increased holdings in Deelkraal, Harties, Samancor, JCI and New Wits. New investments were established in St Helena, Vansa, Vogels, Barnex, Lydex and Marievale Holdings in Elandsrand, Libanon, Marlin and Cons Goldfields were disposed of

Standard Bank Mutual Fund's repurchase price increased by 4,72 percent to 587,39c per unit.

The **Gold Fund**, made significant purchases in Barnato Exploration and Libanon. Liquidity stood at 20 percent.

A spokesman said it should be noted that gold shares had already depreciated in excess of 50 percent on average since August 1987, and there appeared to be reasonable value in certain quality gold counters

Cape firms to gain from UN presence

180

Star 7/10/88

Own Correspondent

CAPE TOWN — Western Cape business is set for a multi-million rand boost when nearly 10 000 United Nations troops and officials move into Namibia to monitor independence.

Huge quantities of food, fuel, building materials, electrical and communications equipment and other general stores, as well as prefabricated buildings and tents, and a wide range of vehicles will have to be bought or leased by the UN group

The Western Cape's manufacturing, supply and transport businesses, among others, stand to get big orders for bulk provisions

The United Nations Transition Assistance Group (Untag) started advertising today for "expressions of interest" from businesses in Cape Town "capable of fast delivery of very large quantities" of a host of goods and services

The seven-month implementation of Resolution 435 was originally scheduled to start on November 1, culminating with independence elections on June 1 next year

A United Nations source in Windhoek said today there was no certainty the plan would go ahead on schedule, but officials had begun tentative planning for a major logistical operation expected to cost around R1,4 billion.

An advance party of 23 Untag officials is visiting Namibia to study possible problems.

IDC and Saidcor set up venture company

150

Star 11/10/88

A new venture capital company, Technifin, with a start-up capital of R50 million, is to open its doors on November 1.

The new company's main objective will be to finance and support the commercialisation of new technology projects.

"All innovations that improve the state-of-the-art will be considered," the company says in a statement.

Technifin (Technology Finance Corp), is a joint venture between the Industrial Development Corporation and SAIDCOR, a wholly-owned subsidiary of the CSIR, each holding 50 percent in the new venture.

FINANCING

The statement says the R50 million will not be provided by the State.

The CSIR's share comes from a major licencing agreement concluded by SAIDCOR with industry.

Chairman of the new company will be Carel van der Merwe, senior general manager with the IDC.

Chief executive will be Mr Lawrence Greyvenstein.

The company will be based in Sandton — Sapa.

SA plans role as major exporter

(180) BDay 11/10/88

Industry and government talk tactics

HELOISE HENNING

GOVERNMENT and leading industrialists have started talks aimed at turning SA into a major exporter of manufactured goods, Trade and Industry director-general Stef Naudé has disclosed.

In an interview with Business Day, Naudé indicated government and business chiefs had targeted five "sunrise" industries which would spearhead the export drive.

These were cars and automotive components, chemicals, textiles, electronics, and steel and stainless steel. They were industries in which the emphasis was on technology and job creation, said Naudé.

● NAUDÉ

At the same time, government was prepared to "let the sun set" on industries that had drained it in terms of subsidies.

The chief executives of some of SA's top manufacturing and industrial companies, and leaders of employer organisations, are known to be involved in the project.

Naudé admitted the shift in policy might be overdue, but said government was positioning itself to assist and reward industries that could gear themselves to foreign markets becoming available to SA goods.

There were obviously major foreign exchange benefits and in some cases enhanced counter-trade opportunities, he said.

Sanctions had highlighted the weaknesses in the SA economy, which had relied on the export of minerals and commodities. SA's economic solutions lay in the manufacturing sector, said Naudé.

Investigations by the Board of Trade and Industry (BTI) — with the assistance of specialists — into several manufacturing sectors, including the motor, automotive components, chemicals, clothing, apparel, textile, footwear, electronic, steel and stainless steel, were indicative of the shift in emphasis in government's economic policy.

A study on fibre and textiles had already been completed, and government was now considering a report on the future of the electronics sector. At the

● To Page 2

Govt and industry plan export campaign

(180) ● From Page 1 BDay 11/10/88

same time had come the switch to a value-based, local-content programme for car and component manufacturing.

Naudé said: "It is a great pity that all these changes are happening at once, and it could be because of neglect. But we are up against realities and we are aware that we must have economic growth and job creation."

Naudé, who became director-general in March and has an entirely new top executive, said implementation of new policies, in line with the Economic Advisory Council's approach, had already started.

Industrialists approached said it would be a mistake to disclose strategies while they were being developed.

NEWS

Consgold bid marks trend among SA companies

Star 1/10/88

Drive to establish investments abroad

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THE bid launched on September 21 by Minorco, for the 71 percent of Consolidated Gold Fields (Consgold) it does not already own, is more than Britain's biggest-ever attempted take-over.

It is part of a drive by South Africa's largest companies to set up investment vehicles abroad through which they can control, at arm's length, foreign subsidiaries

In this way they hope to safeguard their foreign assets and their access to the international capital markets if tighter sanctions are imposed on South Africa

Rembrandt, a tobacco group, laid the foundations for its move abroad when, at the end of August, it set up a company in Switzerland called Compagnie Financière Richemont

Its main asset is Richemont, a Luxembourg-listed company that will eventually own all of Rembrandt's international bits, contributed 45 percent of its profits. Richemont has no South African assets

Mr Anton Rupert, who controls Rembrandt, is a friend of Mr Donald Gordon, who runs Liberty Life, the big South African life assurance company. Richemont has taken a 20 percent stake in TransAtlantic Holdings, a company Mr Gordon is using to mount a long-running takeover bid for Britain's Sun Life

Mr Gordon too is hiving off his foreign interests into a non-South African company.

Days after Rembrandt announced the setting up of Richemont, Liberty Life said that it would sell all its foreign assets to a separately quoted subsidiary, First Union General Insurance Trust (with its apt acronym, Fugit).

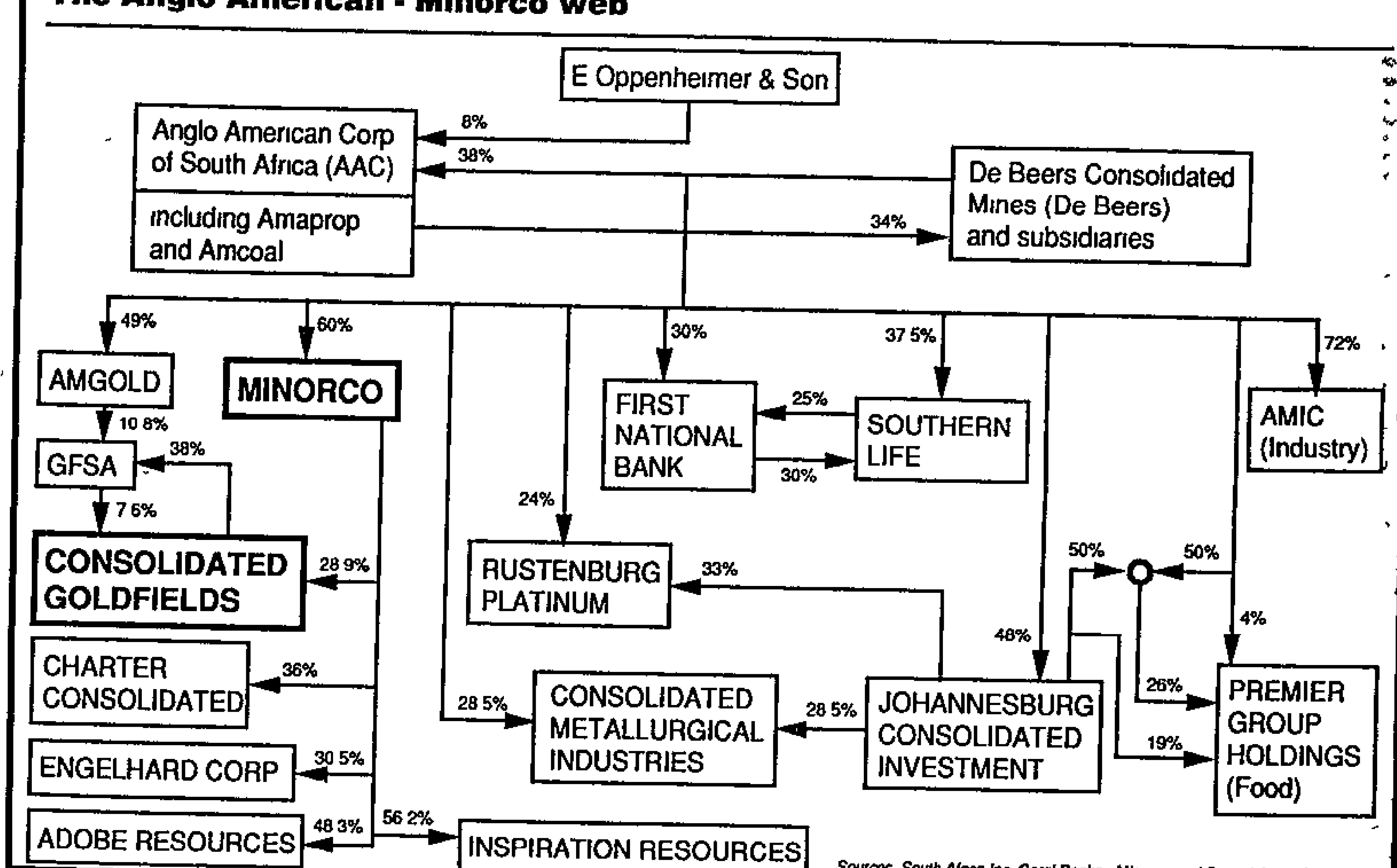
This subsidiary, in turn, will sell all its South African assets to its parent. At the moment, Fugit is quoted in South Africa.

The aim of the exercise is to reduce the South African stake to below 50 percent, and to get a listing either in Switzerland or Luxembourg.

Anglo American, the giant mining group, has the most experience with managing foreign assets at arm's length

In 1974 it established Minorco as a shell company in Bermuda. Minorco moved to Luxembourg last year

The Anglo American - Minorco web



Sources South Africa Inc, Corgi Books, Minorco and Consolidated Goldfields

In 1980 it acquired 25 percent of Consgold in a dawn raid Six years later Minorco and Consgold held merger talks

The big question for all these foreign-investment vehicles is are they South African controlled?

If they are not, then there should be no political barriers to bid for companies outside the Republic. If they are, then all sorts of problems arise, as the case of Consgold illustrates

Problems

Consgold owns ARC, a supplier of materials to the construction industry ARC contributed just over 25 percent of Consgold's $653m (about R1 632m) of operating profits in the year to June 30 1988.

It relies on orders from local and central government in Britain and America

In both countries, ARC has already had problems with customers unhappy with the passive South African holding in its parent company. Those problems would get worse if Minorco's bid succeeds

In Britain, that would affect competition in the crushed-stone market, which Tarmac might be able to dominate if governments refuse to do business with its main rival.

Elsewhere there would be similar problems In Papua New Guinea, Consgold's 49 percent-owned subsidiary, Renison, has a one-third stake in the Porgera gold mine

This is expected to produce gold at a cost of about $100 an ounce — one of the cheapest gold mines in the world

The Papuan government has already expressed concern that 5 percent of the dividends from the mine will go to Consgold's South African shareholders

In America, public opinion would create numerous obstacles for Minorco, if its bid were successful Consgold owns 49 percent of Newmont Mining, which will be America's biggest gold miner by 1990 It has further American gold mines held through a wholly owned subsidiary.

Questions

Under South African ownership, both would find it difficult to secure access for exploration to federal land

Then there are questions the bid raises about what it would do for Anglo American's position in the world's natural-resources market.

Anglo and Consgold combined would own 30 percent of the non-communist world's gold reserves For other strategic minerals, this dominance would be greater

Renison owns rights to some of the world's largest known deposits of titanium and zircon, for example. Analysts wonder if Anglo American is trying to achieve the level of dominance in several minerals markets that it has long held, through De Beers in the diamond market

Sir Michael Edwardes, who was appointed chief executive of Minorco on the day the bid was announced, says such concerns pre-suppose that such sanctions against South Africa already exist — *The Economist*

● **See "Resounding victory for Donald Gordon" — Page 11.**

A safer haven in industrials

180

87/12/10/18

Diagonal Street

ANN CROTTY

The industrial index has been something of a star performer in this year's dull market. From a low of 1400 in February, it has advanced, in fits and starts, to a current level of 1785, which represents a 27,5 percent improvement.

But it is still far from its peak of over 2200 reached just before last October's crash.

There is a variety of reasons for the comparative strength of the industrial index A major factor is the extent of the influence Rembrandt shares have on the index. The strength of the run on these shares, particularily at the time the restructuring was announced, has helped lift the index significantly.

Another factor of a technical nature is that many of the companies comprising the industrial index are rand hedge stocks, which have been firm favourites with investors throughout 1988.

This suggests that many of the price advances have been enjoyed by blue chips, while second- and third-line shares have not been seeing much benefit to date.

FUNDAMENTAL

More fundamental is the fact that industrial companies have been reporting comparatively good profit figures, accompanied by reasonably attractive dividend payments. The effect has been a reduction in the average P/E rating in the sector and an increase in the dividend yield, both of which make the sector more attractive.

One leading industrial analyst who has kept an index of the reported earnings of industrial companies since the early 1980s says that in September 1987 this earnings index was below the industrial index. However, the subsequent fall in prices has reversed this situation But he says there still seems to be scope for further improvement in dividend yields, which implies some downward pressure on price movements.

It must be stressed that current profit performances do not have much influence on market prices, particularily in a bear phase Investors tend to look about 18 to 24 months down the road and build those earnings expectations into current price levels.

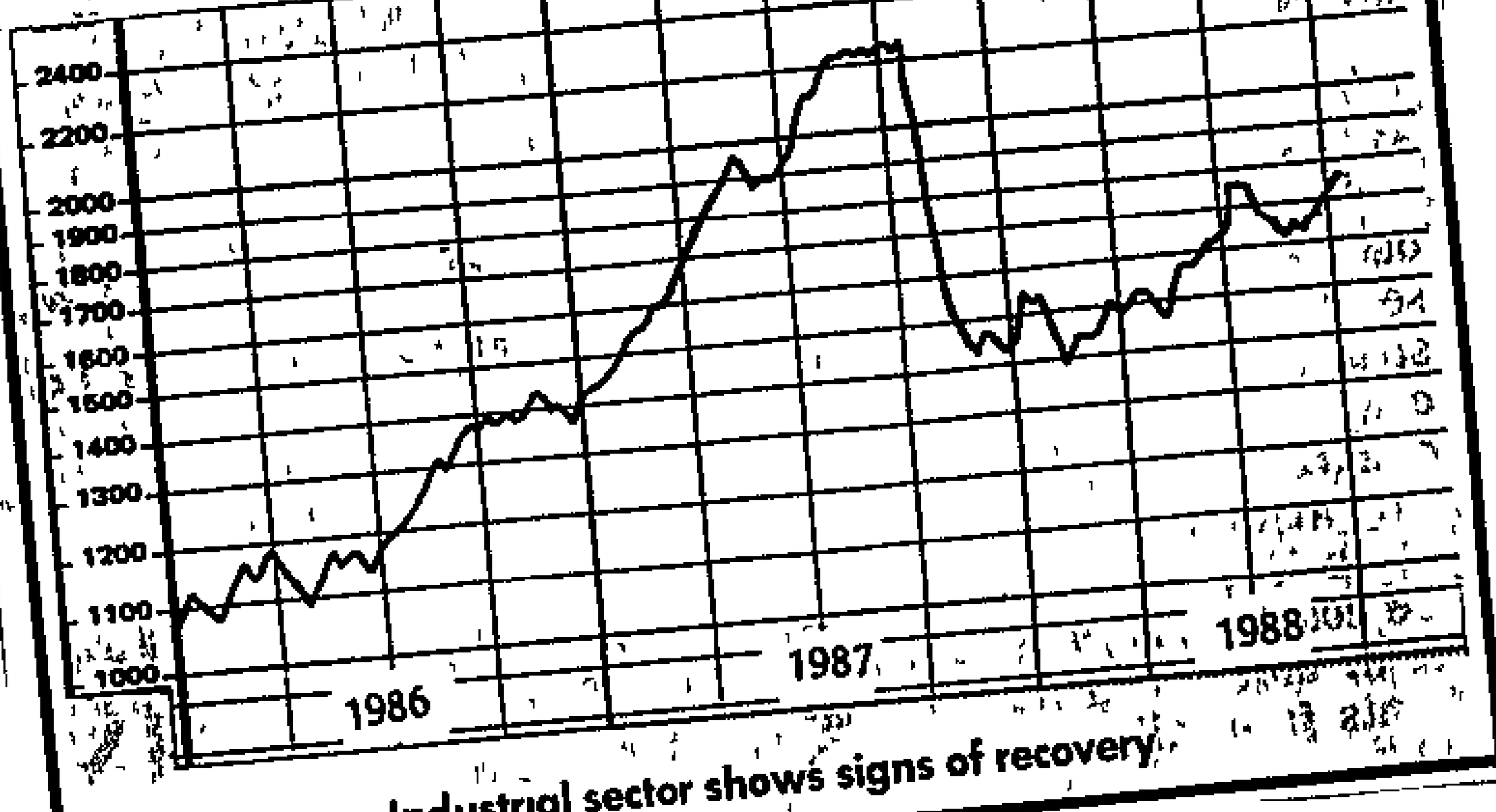
GLOOMY

This suggests that despite a gloomy economic scenario, investors see reasonable profit performance in industrials over the coming years. But it is likely that the performance will look reasonable only by comparison with other sectors, in particular, mining, where generally dismal figures are expected.

Assuming that investors, in particular, cash-rich institutions, need to commit some funds to equities, then industrials look the most attractive avenue. The need to invest a significant portion of a portfolio in equities is underpinned by the impact of inflation, which undermines the benefits of committing funds indefinitely to reasonably liquid money-market investments yielding about 16 percent.

Even allowing for the general view that the industrial market will move sideways for about the next 12 months, no major investor can afford to be out of the market when it begins to take off.

So volumes and prices should remain reasonably strong for the foreseeable future.



Industrial sector shows signs of recovery

(180) B/day 20/10/88

FINANCE

Industrial world growing 'while SA falls behind'

Business Day Reporter

SA would be best served by basing its domestic economic strategies on the assumption that the industrial world was "getting its act together" rather than by relying on doubtful and problematic windfalls which might temporarily be gained from international misfortunes.

Speaking at Assocom's conference in Durban yesterday, Reserve Bank deputy governor Jan Lombard said SA had fallen out of bed with the industrial world in the 1980s because it failed to make the structural adjustments every major player in international economics had to make to avoid inflation

Lombard said although SA's own regional and internal problems had reduced the country's participation in the world's economy, especially its management, it remained vitally affected by market trends and goverment decision in the global economy.

World inflation emerged strongly throughout the seventies and was caused basically by expenditure excesses in public finances of most major countries, and a major shift in the pattern of international trade.

In the turbulent times of the seventies and early eighties, SA fared well because of their effects on the gold price and the availability of international bank credit.

Stressing the dramatic and virtual disappearance of inflation in most industrial countries, Lombard said these countries were looking forward to a continuation of the rapid growth rates of the past five years Forecasts for 1988 and 1989 were in fact being readjusted upwards

The volume of world trade expanded by about 5,75% in 1987 and the trend was expected to continue.

Interest rates are too low, says Dickman

Compiled on a Punch Line Panda PC

Capital expenditure at highest level since 1983

(180)

Star 25/10/88

Manufacturers on a spending spree

By Derek Tommey

In spite of the uncertain political situation and economic outlook, high inflation and foreign sanctions, the manufacturing sector has been spending huge amounts of money on new plant, factories and equipment.

Figures issued by Central Statistical Services show that capital expenditure (seasonally adjusted) by manufacturing was only slightly below R1,4 billion in the first three months of this year This was an increase of 67 percent on a year ago and more than double the sum spent in the first quarter two years ago This was also the highest capital expenditure figure in current money terms since 1983.

Investment in plant, machinery, furniture and fittings in the first quarter of this year was R968,3 million, a rise of 78 percent on the first quarter of last year An amount of R151,3 million was invested in vehicles — up from R89,0 million a year ago.

A further R109,9 million (year ago, R86,6 million) was invested in non-residential buildings

It does appear that in the first quarter of this year the country's manufacturers decided the time had arrived to undo the purse strings and go on a spending spree

This new investment must have given a major stimulus to the capital goods industry in particularly and the economy in general. What is unknown and what still can only be guessed at, is whether this trend continued in the second and third quarters.

CSS figures for the second quarter spending are still several weeks away

The upsurge in business must certainly have been one of the factors that triggered the spending spree The manufacturing sector's profits in the first quarter totalled R3,1 billion, some 36,4 percent more than the R2,2 billion earned in the first quarter of last year

If higher profits alone were the only reason for the increased expenditure, further spending sprees were likely in the second quarter and the present quarter, as it is estimated that the increase in profits on a year ago is now about 40 percent

However, bankers have suggested that at least some of the buying had been triggered by expectations of a drop in the rand and a sharp increase in the cost of imported capital equipment.

If this were the case then investment in new equipment may have fallen by now in view of the actual drop in the rand and the recent import surcharge

Bankers have also suggested that some of the spending was being done in expectation of an increase in interest rates However, first quarter spending was fully covered by retained earnings, suggesting that most manufacturers, after burning their fingures with the high interest rates in 1985, intend being as self-financing as possible these days

This is reinforced by an 8,8 percent decline in dividend payments in the first quarter notwithstanding the 26,4 percent rise in profits

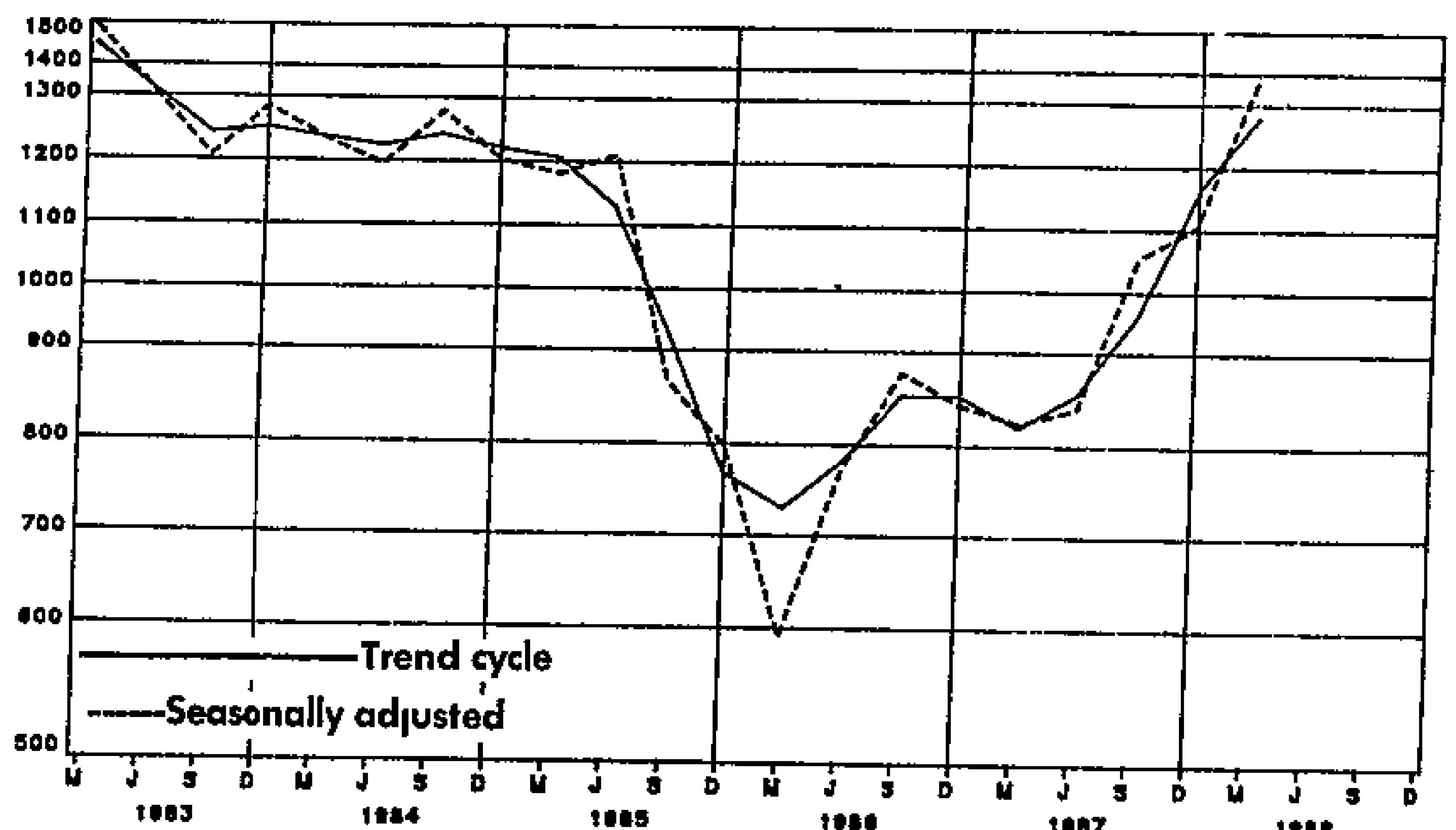
Mr Roelof Botha, chief economist at the Federated Chamber of Industries, believes that capital expenditure on new investment has remained high He said that he expects gross domestic fixed investment to rise between four percent and five percent this year — the first year-on-year increase in real terms since 1981

He said that in view of the sanctions threats a number of smaller firms were expanding output and making new products both at home and overseas

Mr Michael McDonald, head of the economic division of the Steel and Engineering Industries Federation (Seifsa), said that some of the bigger firms in this industry were investing in new equipment but there was some reluctance by the smaller firms to do so.

They were being held back from making new investments by the uncertainty about whether they would be able to continue exporting in the future and by the high cost of borrowings

However, a banker pointed out that the drop in the exchange rate of the rand and the new import surcharge was providing a high degree of protection for firms starting to make goods previous imported



Capital expenditure in R-millions.

Manufacturers riding crest of biggest boom in six years

180 Star 28/10/88

By Derek Tommey

The manufacturing sector is experiencing its biggest boom in six years

August production figures — because based on volume, there is no inflation component — were the highest since June, 1982, Central Statistical Services (CSS) figures show

The physical volume index, seasonally adjusted, for the manufacturing sector rose to 106,6 in August — its highest level since the 107,0 of 1982

This is good news for it shows that manufacturing, after six years of limited growth, is at last in a major expansionary phase that could lead it to record output levels

However, manufacturing output still has to rise another five percent to reach the levels of seven years ago

This five percent increase would lift the index to the record 111,0 reached in December 1981

Several factors

In 1981, the boom was fuelled by the $800 gold price

Economists say today's boom appears to have been driven by several factors

A major one is the steady devaluation of the rand in the past four years It has fallen since 1984 by 68 percent against the Japanese yen, by 62 percent against the Deutschemark, by 54 percent against sterling and by 41 percent against the dollar

This has made it easier for South Africa to increase exports and to start making previously imported goods

It has also given added protection to firms against foreign competition

They have, at the same time, gained added protection against imports

The continued profitability of the gold mining industry has played an important part in the manufacturing boom

Although the dollar gold price has shown little real growth in recent years, the rand gold price has risen to new peaks as a result of the slide in the rand and has kept the industry prosperous

The steady expansion of overseas economies has been important to exporters Last but not least, the big increase in population has provided a strongly growing market for all the competitively priced consumer goods that local manufacturers can produce

It is not easy to say how long the boom will last

It is putting pressure on finances and the Government may be tempted to take steps to slow down manufacturing activity

But the boom appears to be strong and fairly tough measures would be needed to curb it

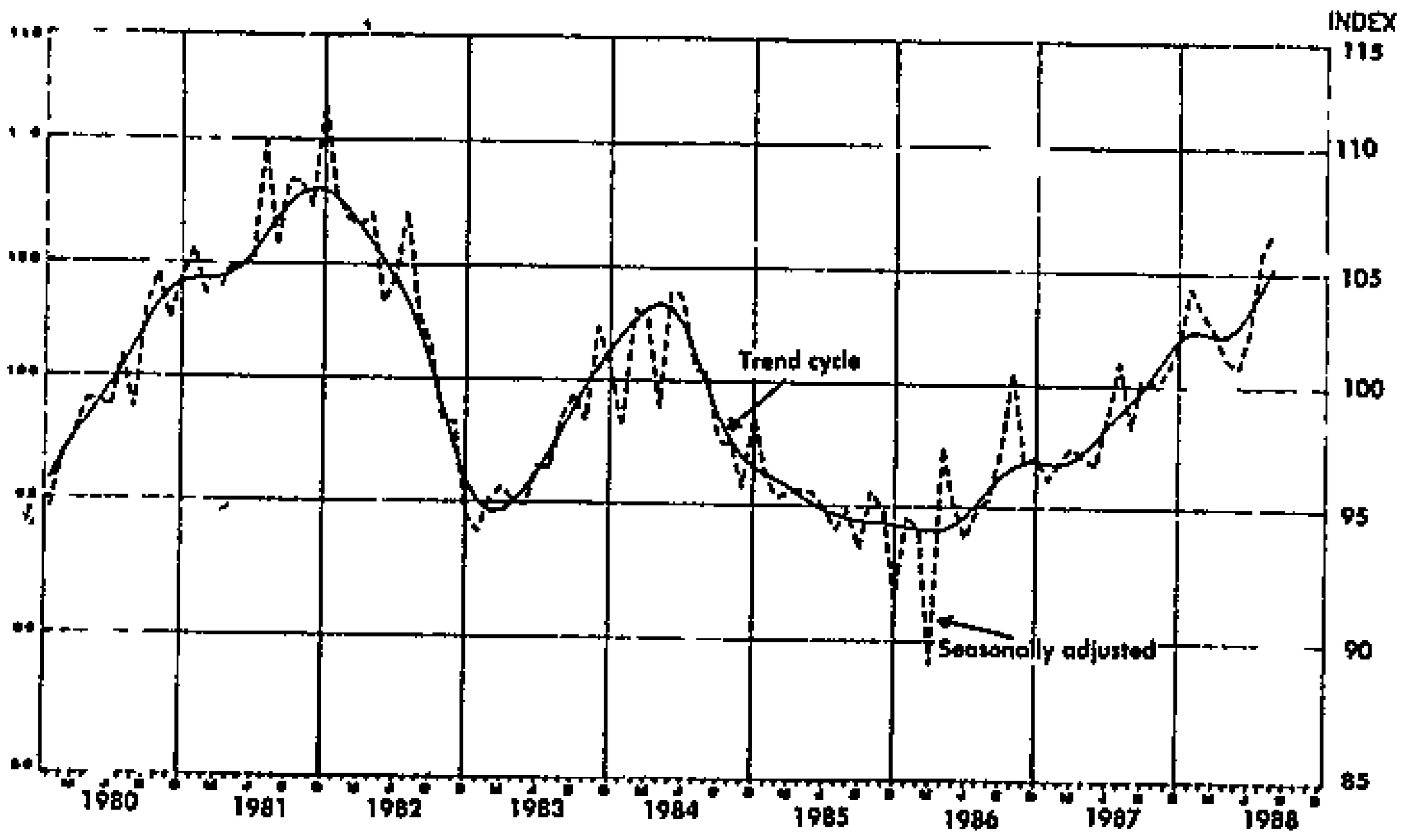
So the Government might confine itself to hoping that the increased profitability of manufacturing, together with the more stable rand and the absence of any major unrest, might lead foreign investors to put money into South Africa again and solve many of its more pressing financial problems

So far this year the best growth has been shown by the rubber products and footwear sectors

Production has been 30 percent to 35 percent higher than the average for last year Output of brick and cement manufacturers is up 29 percent, while production of motor vehicles, transport equipment, spares and accessories is up more than 25 percent

However, despite the large growth in production, several sectors are still producing less than in 1980

Among these are clothing, leatherware, furniture, industrial chemicals, pottery, metal products, machinery and motor vehicles and transport equipment and spares



Manufacturing trend Base 1980 — 100.

Manufacturing output by volume: August, 1988 compared with the average for 1987.

Sector	percent increase
Rubber products	37,2
Footwear	32,3
Lime, cement, bricks	29,2
Transport equip, parts	29,5
Motor vehicles, parts	27,6
Glass, glass products	25,1
"Other" industries	23,09
Electrical machinery	22,6
Plastics	22,5
Machinery & equipment	20,1
Furniture (wood)	18,8
Wood products	16,9
Non-ind. chemicals	15,8
Textiles	15,5
Clothing	14,8
Beverages	14,6
Paper, paper products	11,0
Food	9,8
Metal products	9,7
Pottery	7,2
Leather products	6,1
Industrial chemicals	5,9
Scientific equipment	5,7
Non-ferrous metals	5,5
Tobacco	4,7
Printing and publishing	2,1
Iron and steel	0,9

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Written by MIKE HOLMES

The automatic choice

AUTOMATED guided vehicles (AGVs) are being programmed to handle more and more tasks in factories and warehouses

The first AGVs were put to work 35 years ago as simple tractors towing grocery-laden trailers in and out of warehouses Now they can be fitted with a host of equipment to allow them, for example, to pick up loads at one point and off-load them somewhere else fully automatically

Specially designed AGVs are even being put to work by some big organisations to collect and deliver internal mail, calling at perhaps 200 way-stations on their "beat"

Instructions can be entered manually via a keyboard, pre-programmed into an on-board microprocessor, communicated through bar code scanning at wayside stations or entered directly from a central computer

Installation of the more simple AGV systems is neither costly nor complicated, says Bill Straughan, director of materials handling specialists Babcock Fata. A wire is placed in a groove along the AGV route The magnetic field generated by this wire is used by inductive equipment on the machine to steer it. The AGV itself is battery powered

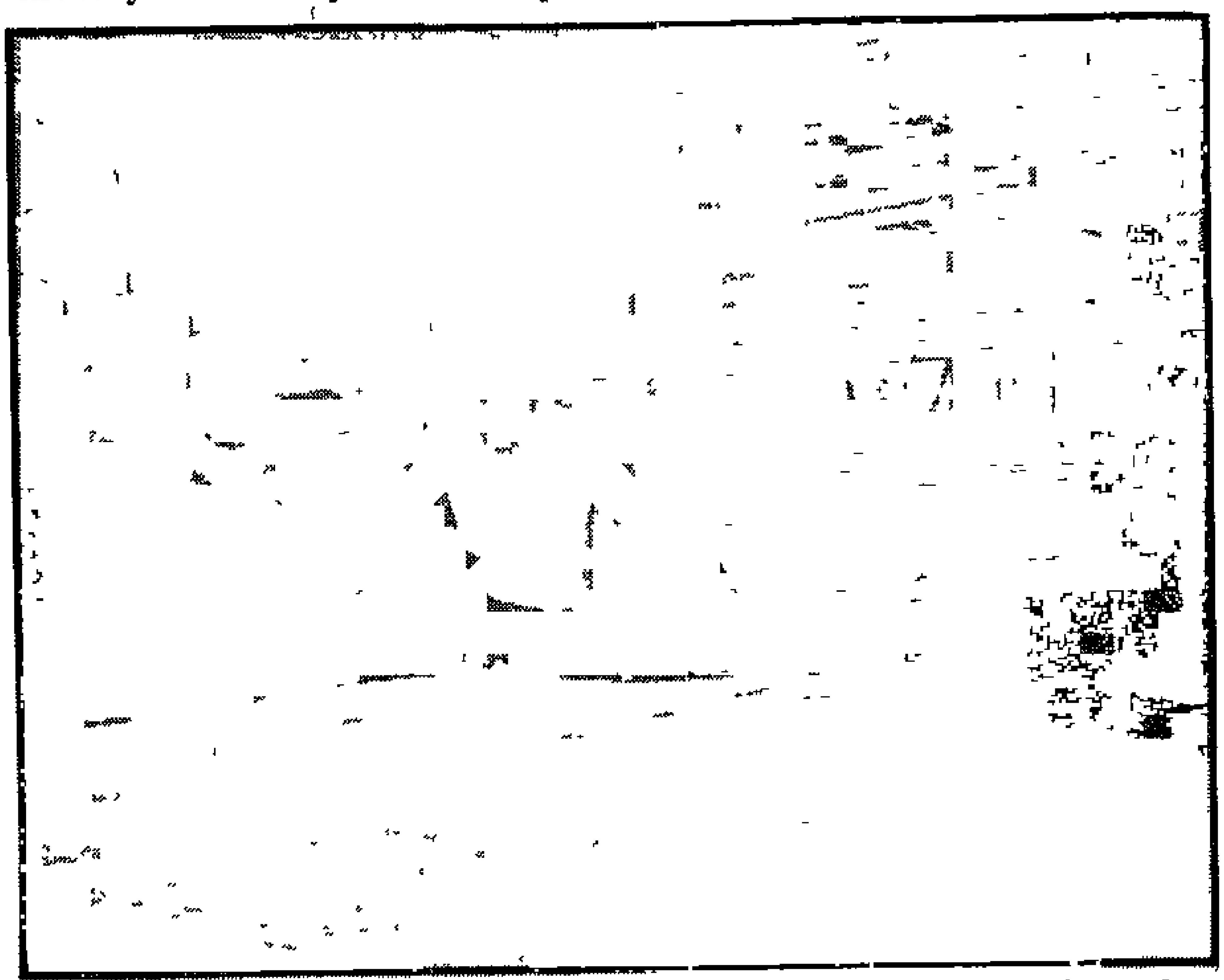
Many people think of AGVs merely as a way of cutting labour cost.

"This is one of the less important reasons for looking at an AGV system, he says Advantages vary from situation to situation But among the main benefits are

- Replacement of expensive-to-operate forklifts, at least where horizontal movements are concerned;
- Reliable collections and deliveries at production, warehouses and despatch interfaces,
- Increased productivity and better operational safety, especially when handling goods sensitive to jarring or impact,
- Elimination of staff from high security, hazardous and stressful areas — including cold stores;
- Vastly improved communication to management of information on materials movement and location

Straughan says SA is lagging in its use of sophisticated AGVs, though awareness is growing. He cautioned that, as with any materials handling system, any decision on AGVs should be made with the help of specialists.

As a rule of thumb, other factors which point to possible investment in an AGV system include a high rate of materials flow, unsuitability of fixed methods of transportation (because of product mass or bulk), current or considered use of at least 100m of conveyor, and problems with loss or misplacement of materials.



HIGHMECH HANDLING director Mike Kellond (left) discussing warehouse layout with a customer. The company offers a design advisory service, in addition to the supply of equipment, parts and service

STORAGE, WAREHOUSING & DISTRIBUTION

A Business Day Survey

Handling the top men is important

180 B/Day 1/11/88

STUDY THE POLICY AND SAVE MONEY

THE adoption of a better stock-management policy can sometimes save a company millions of rands, says production and inventory management specialist Steven Meyerowitz.

"Before looking at warehousing, it's important to determine and understand the inventory rules and policies that should be applied Very often inventory holdings 'happen' as a result of what has happened previously."

Problems can arise where firms hold a number of months' stock. For example, if the stock-holding level is based on three months' projected sales, and sales grow for four months and then decline, stock levels will start decreasing while sales are still increasing. The reverse may also occur.

"When stock policies are not optimal, the requirement for warehousing will be greater.

"In one instance, a review of stock management policies and the adoption of new policies resulted in the cancellation of a proposed new warehouse budgeted at about R10m," he says.

IN THEIR failure to recognise the importance of materials handling and distribution, top executives are lagging years behind counterparts in the US, Japan and Europe

That's the view of Martin Bailey, consultant and educator in warehousing and distribution

Even in the advanced Western nations, he says, it has been in the past three or four years only that senior industrial managements have come to regard the storage and shipment of their goods as a mainstream activity alongside finance, personnel, production and marketing.

In SA production managers are widely regarded as boardroom material

"Distribution is often looked upon as the job for someone who has made a mess somewhere else Yet I guarantee that, in the case of 90% of consumer products, distribution costs are higher than manufacturing costs"

Bailey says top managements cannot make sound judgements on distribution because they are ill-informed on developments in this fast-changing — and crucial — sphere of corporate administration.

"There is tons of education for the lower and middle ranks in this field, from graduate engineers downwards, but nothing intelligent for senior management."

The University of Pretoria offers a Masters degree in materials handling. At undergraduate level a number of universities offer courses as part of their industrial engineering programmes. The Institute of Materials Handling in Kelvin, Sandton, runs four well-attended courses for lower and middle level personnel

"Nobody caters for top management because there's no demand — yet they are the people who have to make the decisions."

Bailey believes part of the perception problem — that warehousing and distribution are the stepchildren of production — lies in the way accountants keep their books.

"Nobody does a proper job of attributing costs to distribution. If they did, management could say, 'Wow! It's 50% of our operating costs, therefore we should be putting 50% of our management resources into it'.

"This is becoming a critical problem because, as companies combine and consolidate, we're starting to hit the type of volumes you get in the US and Europe"

The new scenario calls for two further domestic developments more automation and a greater degree of third-party distribution.

"If you double the throughput at a warehouse employing 20 people, you often don't need 40 people to handle the increase. You may need 100 This sort of exponential increase is often difficult for managements to understand."

The solution lies in greater mechanisation. Some SA companies have super-sophisticated warehousing systems incorporating the most advanced types of automation.

"But, most are Third World I've just come back from consultation in Zaire and their warehousing is typical of 90% of ours."

Advanced materials handling facilities in SA cannot be categorised by ownership, type of industry, volumes or profits, Bailey says.

"Some of the really big boys use very conventional technology — forklifts, reach trucks and lots of labour."

Among the sophisticated minority he singles out I&J, Plascon and TW Beckett.

"Sats are also busy installing facilities worth R300m, mainly in Durban, Cape Town and Johannesburg."

There are, he concedes, huge problems in mechanisation.

"As one increases mechanisation one reduces flexibility. At the same time, though, one improves service. It's a difficult course for managements to steer but in the final analysis the objective of warehousing and distribution is to improve service This means having the right goods at the right place at the right time — and at the right cost."

Another problem is that, in order to apply mechanisation effectively most companies need new expertise Since traditional management philosophies will not do the trick, this re-education should take place from the top down.

The limited number of experts available command enormous salaries and, as in the computer industry, they tend to move around.

In the most advanced industrial nations, third-party distribution is the norm

Distribution activities rise

SA DRUGGISTS has expanded its third-party distribution activities through its LPA division, which expects turnover to climb from R240m to around R600m in two years

In addition to in-house principals, LPA handles distribution of goods ranging from food to pharmaceuticals for 50 to 60 outside firms

High-rise extensions to its Johannesburg distribution centre will be completed within a month at a cost of R7m, says Hellman Herr, an executive director of SA Druggists and head of the LPA operation The division has other distribution centres in Durban, Cape Town, Port Elizabeth and Bloemfontein

Major expansion took place in June through an operating agreement with Muller & Phipp M & P, which now concentrates on trade marketing, selling and merchandising of fast-moving consumer goods, has since joined forces with 3D to expand its market role even further

Distribution of all its clients' products is now handled by LPA.

Herr believes more and more companies will in time come to accept the benefits of third-party distribution "We have the infrastructure — the buildings, the stacking facilities, the handling equipment, the vans, the expertise.

"Not only does this save substantial costs, it also takes the aggravation factor out of our principals' lives."

LPA makes up and delivers orders and carries its clients' debtors, allowing them a better cash flow "We pay over what we charge out, less our distribution margin They get their cheque when due, and that money is guaranteed to them."

Adds Herr "We are able to offer our warehousing and distribution service on consignment, with or without debt collection, backed by access to full computerised data

"This data offers our principals information on all aspects of distribution — from stock held and distributed, down to products sold per item, per outlet and per salesperson It also includes a comprehensive pricing matrix which caters for any pricing system"

The LPA warehousing chain also includes cold storage facilities particularly for specialist ethical medicines and photographic and X-ray film.

Len Schmidt, MD of Muller & Phipps, says the new distribution strategy will give his company extra muscle in selling and merchandising.

Big national clients, he says, are "very happy" with arrangements

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STORAGE, WAREHOUSING & DISTRIBUTION

Storage space: a range of options

FIRMS cramped for storage space have a number of options open to them before they need look at acquisition or construction of costly new warehousing

Materials handling experts note that among the options are

- To take advantage of the existing space and high-tech facilities of specialist warehousing and distribution companies
- To make more efficient use of existing buildings — for example, through higher stacking and narrower aisles
- To erect a mezzanine floor within the warehouse

Since the acquisition and equipping of a new facility can run to millions, use of external warehousing is attractive It involves no major capital outlay, and gives the client access to expertise he does not possess

"Once a company has created it's own facilities, it has fixed overhead costs whether it uses its facilities continuously or only at times of seasonal and extraordinary demand," notes Charles Crocker, MD of Warehousing Reef

An outside specialist provides an established infrastructure geared to handle a spread of clients, thus reducing cost to individual companies

Furthermore, companies using an outside warehouse can cost their product selling prices more accurately as they are only paying for the time they use A specialist can computerise costs, down to the smallest detail, covering running expenses, transport, maintenance and other elements

Before committing himself to an outside specialist organisation, a manufacturer or importer must ensure that the external firm has the know-how, facilities and flexibility to handle his product reliably and speedily

RACKING

For companies, unwilling to farm out their storage and distribution, it's often possible to solve the problem by making better use of existing warehousing Putting in higher racking, with narrower aisles, may well justify the investment in specialised cranes

A move to a new warehouse can cause costly storage and production hold-ups, says Highmech Handling's Mike Kellond Carried out correctly, a re-fit need not be noticed in terms of warehouse performance

Another factor often overlooked is fire protection It can be a major cost in a new building; it's already available in the existing one

The cost of installing cranes, whether manual order pickers or automatic, is not as daunting as it might at first appear, maintains Kellond Cranes need fewer operators - or none at all Staff are thus freed to do more profitable and enjoyable tasks

A high-bay crane store often makes available extra floor space that can be used as a new production area, for example

Another way of "saving" space is to speed up the throughput of the store "With modern automated systems it is possible to reduce the time that goods spend in storage by up to 20%," he says

The ideal situation is to have goods arriving just when they are needed for dispatch

Crane design has moved with the times, says Criterion Systems director Colin Lawrence "Today it is possible to install a manually operated crane and later make that crane semi-automated and ultimately fully automated"

"Transracker cranes already have an aisle self-transferring capability"

MEZZANINE

In situations where factors like load size and height, fork height, product throughput and number of line items to be accessed indicate a fixed or rising cabin turret truck, a crane should also now be considered, he says

Another space-saving option is to put in a mezzanine-type floor "Think up," says Lionel Krost of Krost Shelving

There have been many innovations in narrow or very narrow aisle stackers and order pickers needed to serve high-density warehouses One of the most valuable is "lateral stacking" In this design, says a spokesman for the British Lances Boss group, the forks are mounted on a mast that can be rotated through 180 degrees either way This enables loads to be picked up and deposited to either side or to the front

A raised storage area gives maximum "cube use" It also permits warehouse floor space to be reduced from, say, 2 500m² to 1 785m² — freeing 715m² for other purposes

Automation put in its correct context

AUTOMATION is mistakenly perceived as synonymous with high-level, high-cost machines leading to the unmanned factory and mass unemployment

Yet there is a distinct need in industry to introduce automation cost-effectively in process component handling, says the CSIR Division of Production Technology

The division is looking at automation all the way from basic concepts to robotics and computer integrated manufacture The idea is to start with basic or low-level automation and phase in more advanced forms of automation as the need arises, matching the level to the particular industrial requirement

Low-level automation is aimed at simple solutions to everyday factory floor problems, where existing machines and staff are not able to reach production outputs or quality requirements and production runs do not justify investment in a high-cost, high-output automated plant.

The large pool of unskilled labour available in the manufacturing industry make low-level automation particularly attractive, where the actual skill of the process is vested in the machine and operator intervention is limited to machine minder

"This approach to automation", says Peter Trendler, the division's programme manager for manufacturing systems, "has the advantage that it gives both management and staff confidence in further levels of automation"

A recent example of a low-level automation procedure developed at the CSIR is the placing of a mounted nozzle cap on plastic bottles A vibratory bowl feeder and simple pneumatic components were used An operator fills the bowl with components and the rest is done automatically

TECHNOLOGY CAN HELP

THE CSIR's Division of Production Technology says it has the expertise to help industry satisfy some of the needs that may arise in the materials handling and materials handling equipment areas.

The division will analyse the situation to identify problem areas and suggest a possible solution

It has the capability to design and manufacture, within its available expertise, special machines to pack, fill and assemble a product

Expertise is also available to develop control and monitoring systems and methods to identify products by means of image processing, says Andre van Tonder, programme manager for systems evaluation and special product design

"To remain competitive, our manufacturing industry will inevitably move towards automated techniques," he says Automation can be implemented at various levels from the simplest "pick-and-place" and feeding mechanisms to the highly sophisticated automatic machines

BOND TO MAKE YALE

YALE forklift trucks manufactured in Klerksdorp by Bond Industries are to be distributed by FTR Handling, part of Shoredits Holdings

Bond Industries, SA's biggest manufacturer of materials handling equipment, says forklift users throughout SA will benefit by being able to use locally manufactured machines backed by a service-orientated organisation with a nationwide branch network

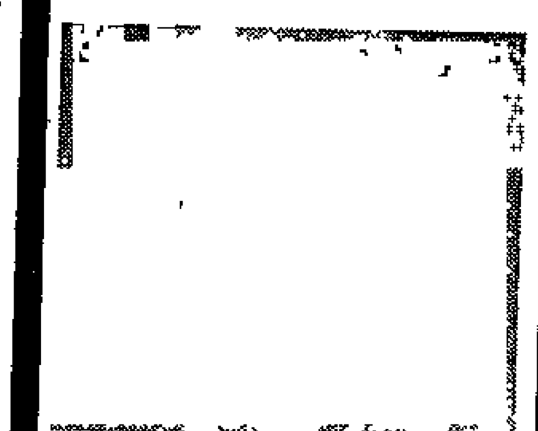
The factory will benefit from a regular off-take of forklifts and parts, and from the economics of ongoing production

Bond Distributors will concentrate on the main industrial centres, where it is becoming increasingly involved in meeting the need for pallet trucks, low temprature forktrucks, lifting platforms and other more specialised handling equipment.

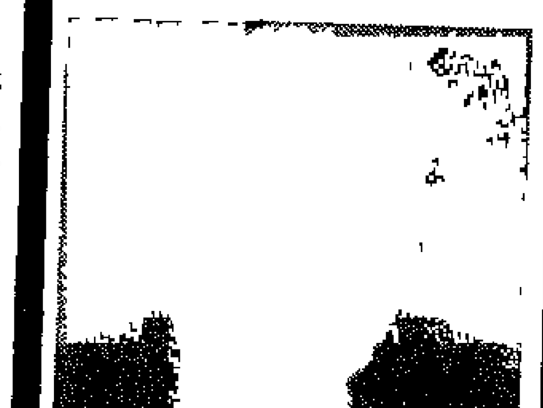
Its sales offices will continue to take orders for Yale machines and parts

ON THE MOVE

ALEC WAPNICK, Tomkor MD and executive chairman, has been re-elected to the board.



ARTHUR VAN DER WESTHUIZEN has been appointed a director of Tomkor.



MIKE HOLMES has joined the Tomkor Board.

INTERNATIONAL FINANCE

Maxwell buys part of airlines guide

NEW YORK — British media tycoon Robert Maxwell has announced his first major US publishing deal, a $750m agreement to buy most of Dun and Bradstreet's Official Airlines Guides (OAG) division

The division will be acquired by a newly-formed Pergamon Group company. Maxwell and Dun and Bradstreet said in a joint statement on Sunday they expected the sale to be completed by year's end

The new company will be traded as Maxwell Official Airline Guides and include OAG's electronic information on airline schedules and its magazines relating to the travel industry These include Frequent Flier, Pocket Flying Guide and Travel Age

Dun and Bradstreet also said it granted Pergamon an option to buy Thomas Cook Travel USA, an American travel agency group with 60 regional offices in the US Dun and Bradstreet bought it from Midland Bank in 1985.

Maxwell said in the statement that "OAG is the world's leading information and related services provider to the travel industry"

Maxwell, a Czechoslovakian-born socialist millionaire, owns the Maxwell Communication Corp, one of Europe's largest publishing empires and has been seeking for nearly two years to expand his media network into the US

Dun and Bradstreet said it expected to realise a $450m gain from the sale after taxes

Option to buy

Thomas Cook Travel USA is the fourth largest travel agency in the US, with sales of $365m and $46m of commission revenues.

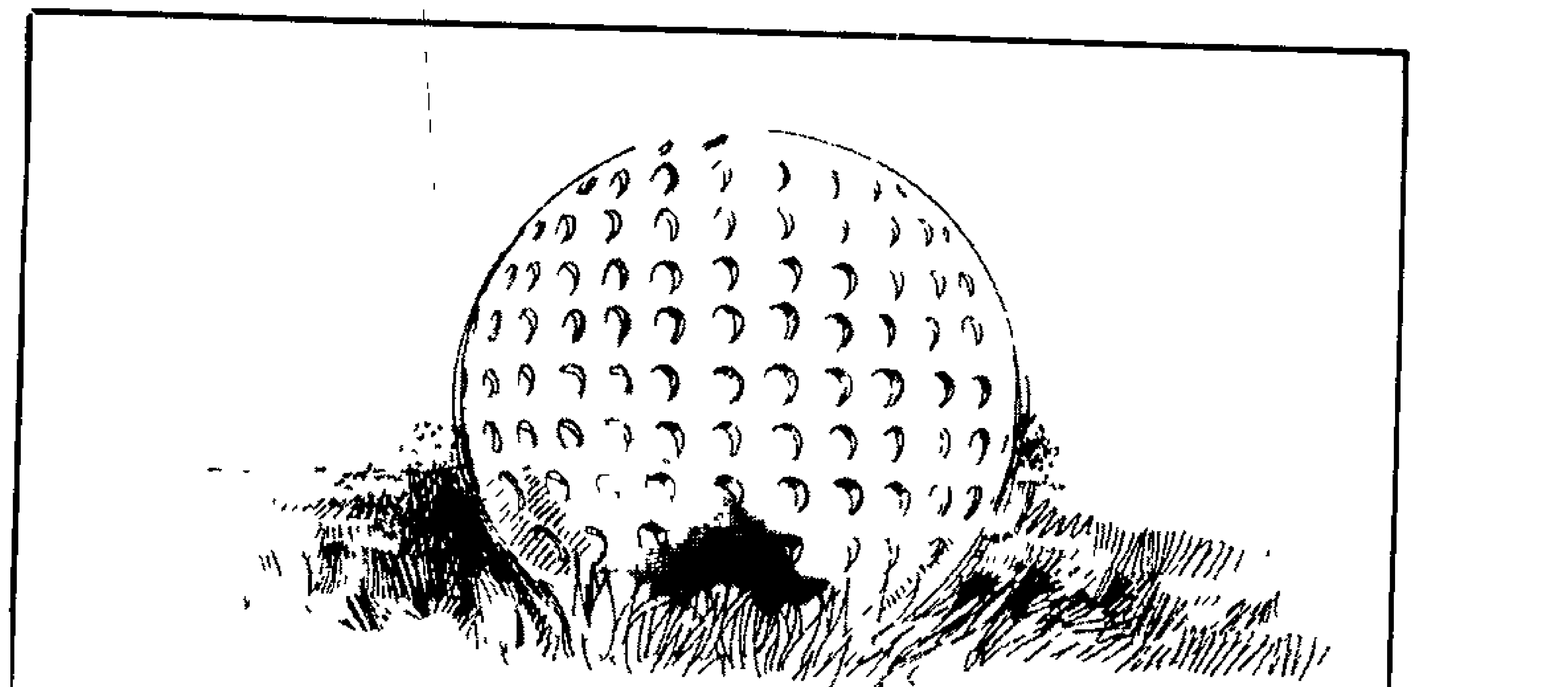
The statement also said Maxwell had an option to buy the complete OAG division

It noted that because of Maxwell's unexpired tender offer for Macmillan, which is now before the Delaware Supreme Court, Maxwell could not acquire OAG within Dun and Bradstreet's timetable. — Sapa-Reuter

Iranian oil stance is an obstacle, says Opec

MANAMA — Iran's rejection of oil-output quota parity with Iraq in Opec was called a "serious obstacle to agreement" within the cartel, a commentary by the Middle East Economic Survey (Mees), said yesterday.

Nicosia-based Mees noted Iran's rejection of Iraqi quota parity had jeopardised adoption particularly of a Saudi-Kuwaiti plan advanced by the Gulf Co-operation Council on October 16. The plan calls for raising Opec's current output ceiling of 15,06-million (b/d) to 17,429-million b/d including Iraq — AP-DJ



Logistics as a saving tool

STORAGE, production and distribution must be intergrated in a total logistics strategy to keep costs to a minimum, says Professor Jackie Walters, of the Department of Transport Economics at Rand Afrikaans University

"Transport logistics can add as much as 34% to the value of manufactured products," he notes "If you get that down to 30% you will be that much more competitive"

In the US, he says, it is recognised that many production processes, guided by computers, are already functioning optimally The same is happening in SA in areas of high competition, such as retailing

The areas where there is still plenty of room for improvement — and major savings — is storage, production and distribution

"But the distribution function must be looked at in total, not in isolated elements, in order to get the total benefit"

A firm that does not have a total logistics approach might decide, for example, to keep down stock levels — but run out of stock when customers need it At the other end of the scale, the services level to customers might be too high — resulting in part-loads being delivered regardless of cost

Distribution, he emphasises, should be regarded as an extension of marketing Without efficient movement of materials and goods, the best marketing strategy will collapse

HELP WITH CPIM EXAMS

SHORT courses designed to give a better understanding of production and inventory management are presented on a regular basis by Action MRP11/JIT, the training wing of accounting firm Coopers & Lybrand

The three-day courses are aimed essentially at managers and at other personnel in the production and inventory fields

The courses also are of assistance to those planning to sit CPIM examinations — the letters stand for Certified in Production and Inventory Control — set by the American Production and Inventory Control Society (APICS) The annual multiple-choice CPIM exams are held in Johannesburg, Cape Town, Durban and Port Elizabeth under the auspices of the SA Production and Inventory Control Society (SAPICS)

The CPIM subjects are Inventory Management (including Distribution), Material Requirement Planning, Master Planning (sales forecasting, production planning and master production and scheduling), Production Activity Control, Capacity Mangement, and Just in Time Manufacturing

Each Action MRP11/JIT short course of the same name is designed to "point CPIM candidates in the right direction," says Steve Meyerowitz, one of four course leaders under Brian Willcox

At the end of each three day-course those delegates passing a multiple-choice test receive a Coopers & Lybrand certificate

For details call (011) 838-7474, (031) 304-5214 or (0431) 43-0725

Forklift prices are skyrocketing

COST of forklift trucks, a major factor in the multi-million-rand materials handling industry, are about to go "through the roof", a top supplier says

The increase in the import surcharge from 10% to 20%, coming on top of the weakening of the rand against the currencies of the main manufacturing countries, will force up forklift (FLT) prices by as much as 30%, predicts Criterion Equipment sales director Norman Peel

"Much of the sophisticated componentry of forklift trucks is imported — and this imported content cannot escape the cost increases"

Forklift prices (ranging from just under R40 000 to more than R75 000 for a 3t counterbalanced machine) are already unrealistically high, says Bond Distributors MD Damie van Wyk

"First of all there's an import duty of 17%, then the 20% surcharge — and GST of another 12%. What have you got left?

"Then you make R1 profit and the government takes half of that in company tax," he says "It leaves nothing for private enterprise"

Suppliers like Bond and Criterion, which have their own manufacturing plants and a high local content programme, will have an edge in pricing But double diget inflation and the relatively small domestic market denying them economies of scale, are hampering efforts to hold prices in check

Sharply rising prices for forklift and other high-tech equipment in the R300m materials handling industry are expected to have a ripple effect on the entire economy, thus further fuelling inflation

Annual FLT sales are somewhere between 1 500 and 2 300 units, say spokesmen for supplier firms They cannot give accurate figures because no overall forklift sales statistics are kept

Most companies in the industry have long favoured the release of official figures But, they say, Customs and Excise cannot do the job because importers bring in forklifts under a variety of headings Particularly difficult to translate into forklift numbers would be the assortment of components entering the country for local assembly

Availability of industry sales figures would be beneficial to importers, manufacturers and customers alike, agree spokesmen for several firms It would facilitate orders and help keep down prices But, they say, for statistics to have any meaning they must be complete, independently audited figures

The Materials Handling Institute and the Materials Handling Association, both independent bodies, have tried in vain to win industry-wide agreement for the release of statistics

One major company firmly against divulging its figures is Criterion Its stance is that disclosure of information would benefit mainly competitors and the sanctions lobby

With the cost of handling equipment expected to rise steeply, distributors are placing greater emphasis on maintenance. "A forklift is a production machine," notes one service manager "It's no less a part of the assembly line than any other capital plant" Yet, he says, abuse of machines is a daily occurence

Drivers cannot always be held solely responsible

Driver training is non-existent in many areas, yet an executive who would not dream of letting a warehouseman drive his company car will happily give him the control of a materials handling machine that may cost even more

Some 50% of an estimated forklifts in operation around the country are diesel-powered, says Van Wyk The balance is equally divided between petrol/LPG and battery-powered machines

In the world of forklifts, it is horses for courses Diesels are smoky and noisy but give better operating performance under many conditions — and servicing can be done by most people with mechanical training Petrol-driven vehicles have similar operating and maintenance characteristics, though torque outputs are not as good as in diesels They can also be readily converted to LPG-power

Probably their most serious handicap is that they give off harmful carbon monoxide fumes, so are not recommended for confined spaces

Electric forklifts, predominant along with LPG machines in more enviromentally aware US and European companies, are the only FLTs used in cold stores in SA They are also kept at work wherever absolute cleanliness is a prerequisite, as with foodstuffs and medicines

Their biggest drawback in straight competition is price

Whereas most 3t petrol, diesel and LPG machines retail at R47 000 to R50 000, an electric unit costs in the region of R75 000 This includes R7 000 for a 48-volt battery and R3 000 for a battery charger

While initial outlay is high, say it proponents, an electric FLT's running costs are a fraction of those incurred by an internal combustion machine It needs far less maintenance and its economic life tends to be longer A spokeman for one distributor of both types puts the average life of an electric unit at 12 to 15 years, the economic life of a diesel or petrol machine at five to eight years

Many advantages of electric forklifts

A COMPANY using electric instead of diesel forklift trucks can save thousands of rands per unit annually — and provide a better working environment for staff, says Surequip MD Keith Blair

Electrically-driven forklifts are better value for money for a variety of reasons, he says

- Average electricity consumption by an electric forklift is little more than R200 a year Fuel bills for a diesel forklift, on the other hand, can run to almost R3 000,
- Electric units need far less maintenance, resulting in much less down time (Diesel forklifts have nine times as many moving parts)
- On average, an electric forklift lasts 40% longer than an internal combustion machine,
- Warehouses using diesels need efficient — and hence expensive — ventilation to extract exhaust fumes that could otherwise affect the health of operators, and increase the risk of accidents Electric units pose no such problems,
- Electric forklifts are quiet and so contribute to a more pleasant and more efficient working environment

SA Breweries recently became the 100th customer for electrically-driven Lansing forklifts in the past year

An alternative to internal combustion and battery-driven forklifts is available from Easigas, which claims savings of up to 43% in operating costs from its gas-powered forklifts Gas, it says, obviates the need to tie up capital in spare batteries and recharging equipment At the same time it does not have the pollution disadvantages of a petrol or diesel forklift

The company also offers to advise users of petrol-driven forklifts how to convert these machines to gas

Manufacturing systems essential for survival

Star 3/11/88. 180

South African manufacturers, particularly those contemplating competing in overseas markets, must computerise their manufacturing and financial systems if they want to survive

This was said by Mr Neil Ratcliffe, marketing director, Sanderson Computers of the UK on a recent visit

National Systems are the exclusive distributors of the Sanderson-developed SA-PICS integrated manaufacturing system and have the source code so that it can make enhancements

"European and US manufacturers are well advanced in their use of manufacturing systems which give them a competitive edge

"If South Africans want to compete in those markets and economic indications are that they must, then they should be using the same tools."

FLEXIBILITY

SA-PICS was developed, initially, for the British aerospace industry in 1983 Being a new generation software, it enables businesses to fine-tune the system to their specific needs The manufacturer does not have to be constrained by the computer system

The flexibility of the system, he said, has been vital to its successful implementation in 300 sites in Britain since 1983 and four in South Africa since its release in June.

It is used in widely differing industries such as helicopter manufacture, printing houses, food production and steel forgings.

Interfaces exist for the attachment of computer-aided design (CAD), hand-held terminals, barcoding and other peripheral manufacturing system devices.source code

Many manufacturers have put off installing integrated manufacturing systems because they believe they were expensive to develop, install and operate

"This is not so with SA-PICS," said Mr Ratcliffe "Once installed and running to the manufacturer's needs, it doesn't need any qualified computer staff to maintain it It virtually runs itself".

Weil, Ackerman clash over rebates

Retail corruption 'not widespread'

4/11/88

180

By Clare Harper

There was no widescale corruption in the local retail industry, Checkers MD Mr Clive Weil and Pick 'n Pay's Mr Raymond Ackerman agreed during last night's TV debate on Network.

But the retail giants clashed fiercely on the question of the use of rebate and incentive schemes in the retail industry and its benefit to the consumer.

The two agreed to the debate after Mr Weil was reported to have accused competitors of using questionable bulk-buying powers as a form of "commercial terrorism", prompting Mr Ackerman to send him a legal letter demanding a retraction and apology.

Mr Weil began the debate by apologising for this description, which he said was "a little extravagant, strong and inflammatory". He added: "I know of no blatant widespread dishonesty."

Having apologised, the two were asked to tackle the meatier issues of the debate.

"My point is that some of the rebate/incentive schemes are in effect closing down competition on the shelves," Mr Weil said.

The supermarket supremos . . . Clive Weil and Raymond Ackerman during their debate on TV1.

Mr Ackerman said that there was nothing wrong with discounts and that Mr Weil's opinion was anti-consumer. "He is cross because he can't get these incentive discounts The consumers want us to negotiate as hard as possible."

Stealing Mr Weil's well-known advertising slogan, Mr Ackerman said "We are cheaper trolley for trolley across the country."

Mr Weil said "coersion" did exist in the form of suppliers being theatened with removal from shop shelves He would like that sort of coersion to end

Mr Ackerman said his job was to fight, but honestly and fairly. "I will fight with the supplier — and there may be a threat of de-listing to try and get the price down. I would not be here if I were not a hard negotiator" He described Mr Weil's argument that quantity discounts militated against new products coming on to the shelves as "fatuous and weak".

Mr David Bamber, who chaired the debate, asked whether the upfront fees suppliers had to pay to get their products on to the shelves did not militate against the smaller manufacturer or supplier.

Mr Weil said Checkers asked for a listing fee because more than 90 percent of all new poducts failed, and it cost plenty to cost and list products

Mr Ackerman said Pick 'n Pay had no listing fee but "we do fight hard to get the best price for consumers" by asking suppliers for promotional and advertising allowances.

He said Pick 'n Pay could not support every supplier, but did support "tons of small companies"

Mr Weil said he was not asking for government intervention, but said the situation had changed since the suppliers fought these incentive schemes and lost in 1981. "Now we have a situation where target incentives favour the major manufacturer."

Mr Ackerman "We believe in incentives. There is nothing wrong if the company has the discipline to make sure the ranges are right. If we did not, they'd walk out of my shop." He had the last word (literally) when he asked viewers not to ask for government intervention but to let free enterprise prevail.

Star 8/11/88

(180)

State portion of GDP second only to manufacturing

By Dave Canning

With a contribution of R21 billion, the state in 1987 overtook the mining sector as the second-biggest contributor to gross domestic product (GDP), says Federated Chamber of Industries senior economist Mr Roelof Botha.

"Manufacturing is still the largest, at about R35 billion, but the rate things are going, we had better watch it in three or four years," Mr Botha told delegates to the regional congress of the Natal Chamber of Industries in Pietermaritzburg at the weekend.

He said the Government was starting to recognise the economic consequences of its political actions, as evinced by its policies of privatisation and deregulation.

"Economic policy has failed to provide adequately for the capital-labour endowment of the economy.

"Real interest rates have for lengthy periods been negative, exchange rates have often been overvalued, real wage determination is not strictly based on the productivity of labour and the tax system generally does not favour your investment in venture capital.

"However, the Government has of late been showing signs of adopting a more realistic policy approach."

Mr Botha said industrialists imported a lot of components and machinery that they were unaware were locally manufactured. The FCI planned later this year, or early in 1989, to meet Cabinet Ministers, their heads of department and President PW Botha to discuss producing a comprehensive register of local manufactured products.

Mr Botha said it had been calculated that were it not for the "perverse" balance of payments constraints, which placed a virtual three-percent ceiling on the annual growth rate, the economy could grow at a rate of "seven percent plus".

"As a developing country, we should be importing components and equipment for our growing industrial sector."

Mr Botha said 300 manufacturers recently surveyed by the FCI were confident about the next three to four months.

Fed Volk does it again

STAR 16/11/88

(180)

By Magnus Heystek
Finance Editor

Federale Volksbelegging (Fed Volk) proved its profit jump in the previous financial year was not a flash in the pan by lifting earnings 30 percent in the six months to September

While a slowdown is forecast for the second half, the directors expect real growth for the year as a whole

Turnover grew by 20 percent to R1,620 billion (R1,355 billion), while operating profit, reflecting an increase in margins from 7,9 percent to 8,3 percent, rose by 26 percent to R134,4 million (R106,5 million)

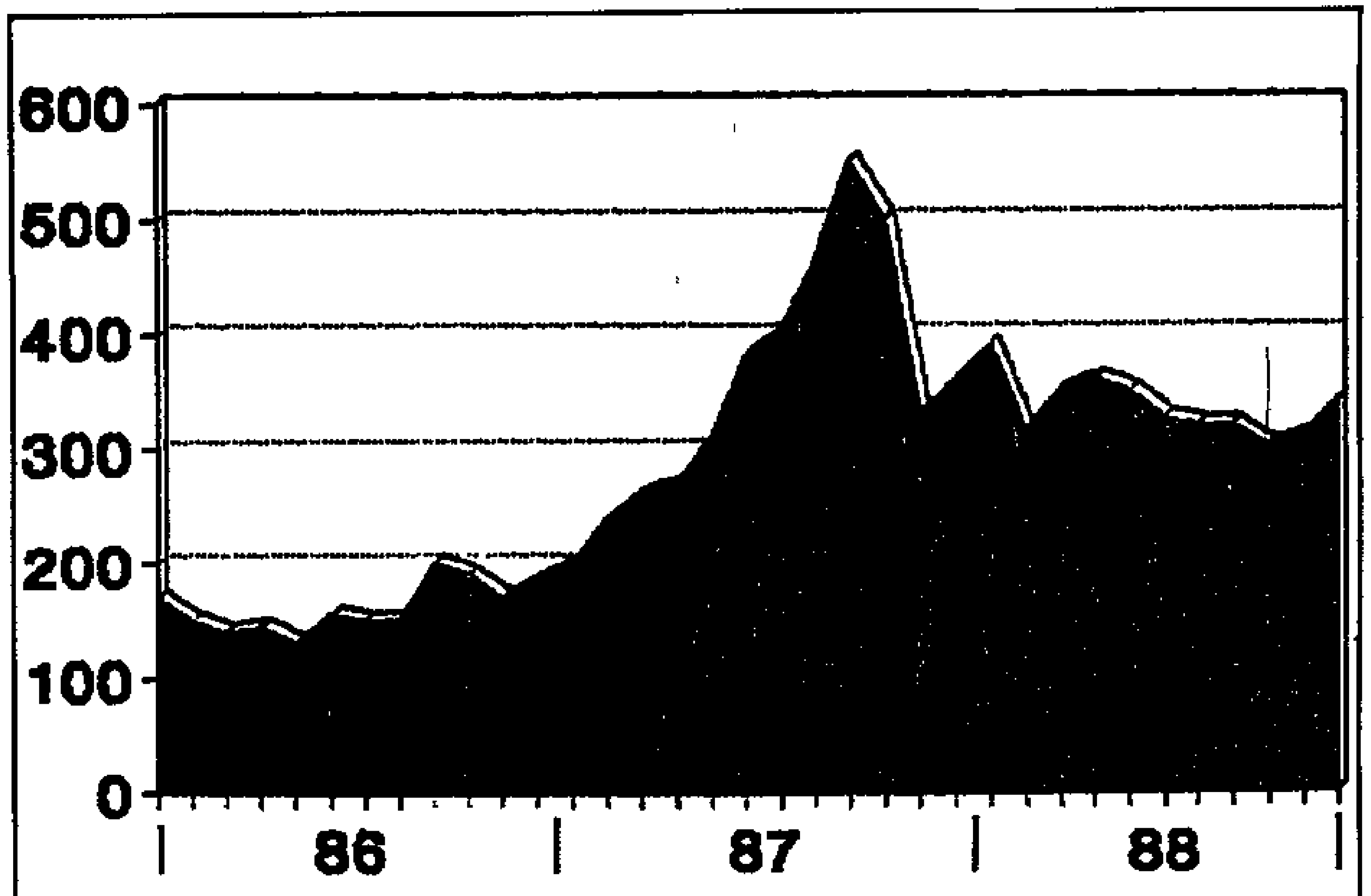
Income from associated companies grew by 26 percent to R8,5 million (R6,8 million), which resulted in profit before interest rising by the same margin to R142,9 million

Interest costs of R23,8 million (R26,7 million) were down, in line with the decline in interest-bearing debt, which fell from R330,4 million at end-September 1987 to R239,5 million This left pre-tax profit of R119 million — an increase of 38 percent With tax rising from R34,6 million to R45,1 million, taxed profit rose by 38 percent to R74,2 million

After taking into consideration outside shareholders' (up 59 percent to R27,6 million) and the payment of pref dividends, attributable profit rose by 30 percent to R45,1 million, equivalent to earnings of 34,5c a share (26,7c)

The weighted number of shares stayed unchanged at 129,5 million as the R100 million rights issue, announced earlier in the year, will only push up the average in the second half

The increased interim, up by 23 percent from 6,5c to 8c, was announced at the time of the rights issue



Fed Volk share price (cents)

The balance sheet reflects a continuation of the improvement of important ratios, with the debt.equity ratio dropping from 0,62 to 0,45 MD Mr Johan Moolman expects the ratio to reach 0,35 at year-end

The proceeds of the rights issue was largely responsible for the drop in interest-bearing debt which, at end-September, stood at R239,5 million, compared with R652 million in 1985

The drop in net asset value from 497c a share at end-September 1987 to 384c represents the effect of the decline in the market value of listed assets, mainly Morkels and SA Druggists, in the reporting period

Federale's results reflect a much more balanced contribution from the main operating divisions The services division (Avis, Fedics, Interleisure, Kings Parking and Priceforbes Federale Volkskas) lifted profits by 23 percent to R10,2 million.

Domestic consumer goods (Continental China, Morkels and Tek) boosted contribution by 24 percent to R8,8 million, much in line with the increase in real consumption expenditure.

Motor components and agricultural equipment (Fedmech, Firestone, Gabriel and Raylite) fared particularly well, lifting profits by 40 percent to R7,3 million, despite Fedmech still showing a loss

Food (Fedfood) lifted profits by 43 percent to R12,9 million, becoming the largest contributor

With Federale's share in SA Druggist dropping from 80 percent to 68 percent, the divisional contribution from pharmaceuticals grew by only five percent to R11,8 percent.

With Federale once again approaching the profit levels of 1984/85, its rating on the JSE is bound to improve over the lukewarm reception it has been enjoying in recent years

Many analysts are baffled by Federale's decision to approach the market for additional capital, but this decision has been vindicated by the subsequent sharp jump in interest rates

Federale has yet to announce what the R100 million is earmarked for, saying only that the successful rights issue enables the group to pursue the next development phase of planned and selective growth within the financial parameters laid down These include a debt.equity ratio of 0,35 to 0,70

Federale has come a long way since the tumultuous years of 1985/86 when a combination of forex losses, a nosedive in consumption spending and a prolonged drought, resulted in a blood-letting at the bottom-line Since then, asset management has been tightened, the group refocused by means of several disposals of companies not fitting in the group structure and some selective acquisitions

Based on yesterday's closing price of 340c, Federale is trading on a prospective P/E of 3,7, a dividend yield of 5,5 percent and an earnings yield of 23 percent, suggesting some upward potential despite investor hesitancy over companies vulnerable to a sharp drop in consumer expenditure

Tongaat continues its growth trend

Star 17/11/88

180

By Dave Canning

DURBAN — Tongaat-Hulett has reinforced its return to better fortunes with a 43 percent increase in earnings and 28 percent rise in dividends for the six months to September.

At the same time, it has sold transporter Hultrans (although it has retained the sugar transport division) and the food division's cleaning services operation.

Tongaat Hulett's overall interim profit improvement, coming on top of the 90 percent jump in profits last year, flows largely from sugar, building materials and aluminium. The results underscore the importance of its diversification into contra-cyclical activities since the rise in earnings of these divisions more than compensated for a decline in some of the others.

Overall, the group's turnover rose by 25 percent to R1,62 billion. Improved margins saw operating profit up by 43 percent to R160,1 million. There was a lower interest bill of R33,9 million (R27,2 million), resulting in pre-tax profit rising by 49 percent to R126,2 million.

The taxman has a much sweeter smile after helping himself to R49,6 million (R30,79 million) — leaving taxed profit of R76,59 million (R54 million) — a rise of 42 percent

Earning per share increased by 42,5 percent to 99,5c (69,8c), enabling the board to increase the interim dividend to 23c (18c)

Despite higher interest rates and import surcharges, Tongaat-Hulett expects full-year earnings to increase to over 200c a share (162,3c). This means that despite the slowing economy, it foresees a rise of at least 8,6 percent in second-half earnings to at least 100,5c (92,5c).

The directors say that better world sugar prices translated into better profits for the sugar division, whose income does not accrue evenly throughout the year. Therefore the interim results reflect a calculation equating to half of the year's expected profit.

Strong demand and better margins saw profits of the building materials division improve significantly.

The foods division "performed satisfactorily under difficult market conditions and its contribution will be similar to last year's".

The aluminium division reported excellent results, but textile operations had a difficult six months. The textile market is expected to improve, but contributions from this source will be slightly lower than last year.

Also down were profits from the starch and sweetener division. Sales volumes and margins declined. This trend is expected to continue.

Borrowings, an important consideration in view of their impact on results in the upward interest rate cycle, were R482 million (R497 million).

However, on account of the seasonal nature of agriculture, they are expected to decline to R290 million by year-end.

The sale price of the transport and cleaning divisions is not disclosed, but the deals are not expected to have a material financial impact on the group.

Guide to black business in West Cape published

20 (180)

Argus 19/11/88

By DICK USHER
Business Staff

A DIRECTORY of black business in the Western Cape, The Black Book, has been published by the Peoples Express community organisation.

Mr Jeffrey Kleinsmith, publisher and managing editor of Peoples Express, said the publication was a step towards black economic empowerment, a key element in socio-economic and political solutions sought for Southern Africa.

The 460-page directory contains more than 2 600 entries showing that "after decades of exclusion and isolation black business is beginning to participate actively in many sectors of the economy".

It is designed to access black business to the local comunity, businesses, institutions, agencies and corporate planners.

Mr Kleinsmith said the directory was a response to the oft-voiced plaint of: "Where and who are the black businesses you ask me to support?"

"It is both an opportunity and a challange for the business community to give other-than-white business operations a fair chance.

"It is also the responsibility of of black business to rise to the challenge and deliver the goods"

The Black Book was not a prejudicial directory or reverse racism, said Mr Kleinsmith.

"It is an unapologetic, practical attempt to overcome decades of disadvantage and elevate the predominantly black business person from years of economic isolation and exclusion to the forefront of business in this country."

Mining and manufacturing reaping boom-times harvest

Star 21/11/88

180

~~210~~

By Derek Tommey

Those prophets of doom, the economists, have been forecasting dire times in 1989 in the wake of the recent rise in interest rates

But so far the economy remains extremely strong, with both mining and manufacturing performing at record levels

The superlative performance of these sectors in many instances is the result of the drop in the rand, aided in some sectors by the steady economic conditions overseas

And with large profits still to be made, it seems likely that much of mining and manufacturing will drive ahead despite higher interest rates All of which raises the hope that perhaps 1989 may not be as bad as the dismal forecasters are making out

The mining industry is continuing to experience a sharp rise in earnings Mining revenue surged in August to reach a record R3,2 billion for the month, Central Statistical Services reports

This is an increase of almost R800 million, or 35 percent, on the industry's earnings in August last year Part of this improvement is the result of the drop in the exchange rate of the rand, which boosted dollar revenue by 18 percent, sterling revenue by 25 percent and yen revenue by 30,2 percent

But also helping is the continuing world metals boom, which has led to shortages of and higher prices for many metals

Revenue from gold in August, compared with a year ago, was 39,6 percent higher at R1,97 billion The increases in sales for other metals were

- Copper, 38,1 percent to R85,1 million
- Chrome, 30 percent to R28,6 million
- Coal, 29,1 percent to R485,9 million
- "Other minerals" including platinum and diamonds, 22,9 percent to R513,2 million
- Lime and limestone, 21,8 percent to R27,9 million

Asbestos sales rose 17,1 percent to R8,2 million and iron sales 8,5 percent to R50,0 million

The recovery in coal revenue possibly helps to account for the remark by Mr Derek Keys, chairman of Gencor, that the profits of its troubled coal investment, Trans-Natal, should "bounce" this year

But while the mining industry is going great guns, the manufacturing sector has just had its best month for almost seven years

The index of manufacturing output (1980 equals 100) rose a further 1,78 percent in September to a preliminary 114,5, its highest level since 116,2 in November 1981

At that time the economy was being rushed along by the temporary jump in the gold price to above $800

Manufacturing production in September — in real terms and not inflated money terms — was 6,8 percent higher than a year ago

The machinery and equipment sector, which until recently had tended to lag the increases in other sectors, caught up with a jump in September, with production running 21 percent ahead of September last year

Increases in the output of other sectors were non-ferrous metal products 18,7 percent, beverages 15,4 percent, furniture 14,6 percent, electrical machinery 14,0 percent, textiles 13,1 percent, motor vehicles, parts and accessories 11,5 percent, wood products 10,9 percent, paper and paper products 10,6 percent and rubber products 10,4 percent

Sectors where output was lower in September than a year ago were tobacco products (-15,8 percent), pottery (-4,8 percent) and glass and glass products (-7,0 percent).

Output of transport equipment, other than motor vehicles, was 14,9 percent down

It is obvious that the increase in prime rate recently was a negative factor for the economy But against this must be measured the new export and import replacement opportunities afforded by the continued decline of the rand

Mr Warren Clewlow, chief executive of Barlow Rand, said last week that one-third of his organisation's earnings now came from overseas, that every division was actively seeking new export and import replacement products and that the group was planning to invest R1,5 billion next year, 40 percent more than it spent this year None of this suggests that Barlow Rand is about to curl up and climb into its shell next year

Similar ressuring remarks were made last week by Mr Keys He said the Gencor group had received a substantial part of its revenue from exports and that conditions at home were unlikely to have much effect on performance

Obviously the higher interest rates must be a negative factor But with a large part of mining and manufacturing likely to be buoyed up next year by exports and by import replacement and by such developments as Mossgas, it is hard to see how times can be as hard as is being increasingly predicted.

New giant Tollgate to change name

ARGUS 2/11/88

By TOM HOOD, Business Editor

TOLLGATE, the century-old Cape company, is to change its name to reflect its transformation from a transport group to an industrial giant with a R1-billion turnover.

Two major takeovers by Tollgate costing R67-million are reported today and as a result only 30 percent of the group's business stems from transport

"Two marketing men are working on a new name. We expect to make the change in January," said a director, Mr Mervyn Key.

(180) (266)

"Hopefully it will be a name not far removed from Tollgate. Unfortunately, many people seem to associate it with toll roads."

Tollgate's chairman, Mr Johan Claasen, said the group was now soundly based in basic consumer-oriented industries.

Tollgate's listing on the London Stock Exchange could be used for expansion, he said.

● See page 17.

INSIDE: Finance 16-17, Letters 18, Racing 20, Sport 21-22, TV programmes

COMPANIES

Argus 21/11/88 (80)

R67-m takeovers reshape Tollgate

By TOM HOOD, Business Editor

THE name of Tollgate is to disappear as the famous Cape company switches from a transport company to an industrial conglomerate with R1-billion turnover after spending R67-million on two major takeovers.

Tollgate's chairman Mr Johan Claasen said the group was now soundly based with clear direction in basic consumer-orientated industries

"We see an exciting future ahead and plans are being formulated to expand Tollgate's operations within the sectors in which it has invested, but utilising its international listing

"Total consolidated group turnover will be nearing the R1-billion mark by the end of 1989 and we intend to become a major force in each of those industries in which we have invested "

The century-old transport-based Tollgate has been transformed in the nine months since directors of Duros bought control from the Pavlovsky family for R69-million

The name of Tollgate Holdings will soon change so as to more accurately reflect its chgange nature of business, says the managing director, Mr Hennie Diederichs

An application would soon be made to the Johannesburg Stock Exchange for a transfer of Tollgate's listing from transport to industrial holdings, he said.

Tollgate announced at the weekend that it is to acquire 25 percent of the food group Gant's Holdings and 58,5 percent of the textile manufacturer Arwa

Mr Diederichs said future earnings are expected to stem from Transport and property 30 percent, textiles 25 percent, food 18 percent, engineering 15 percent, leisure and tourism 12 percent

"We are in the process of realising surplus non-income-producing fixed properties, mostly acquired from the United Passenger Transport acquisition, to the value of R26-million, which will be used to finance these acquisitions and reduce group debt"

The Grant's deal, worth R33-million, does not involve a change of control. Tollgate will pay Lougant Holdings (Pty) R20-million cash and issue 4-million Tollgate shares at 325c a share, which is below the current price of 350c.

The Gant family will remain controlling shareholder, but Tollgate is expected to play a major role in the direction and structuring of the group.

Mr Diederichs said prospects for the food industry in general were promising Tollgate attached great importance to the value of the Gant's brand name

There was still ample scope for the company to capture an even greater market share in the future

"With its substantial export activities in its traditional and newly developed markets, our investment in the company can be viewed favourably from a rand hedge point of view," he said

For the Arwa deal, 9-million Tollgate shares will be issued in the ratio of 80 for every 100 Arwa and the offer will be extended to minorities

Arwa is involved in the manufacturing, dyeing and finishing of fabrics, production of hosiery, leisurewear and underwear, the texturising and dyeing of yarns, manufacturing of elastic, knitting of socks and the manufacture of ties

Business Report

Cape Times 21/1/88

Tollgate moves into major league

From ARI JACOBSON

JOHANNESBURG — Tollgate Holdings has moved into the league of major industrial holding companies with its R64m acquisition of the Arwa Group and its significant investment in Gants

Tollgate, ending weeks of speculation, has confirmed it will pay an effective R33m for its 25% stake in Gants, to be bought from Lougant Holdings.

Payment comprises a cash settlement of R20m and the issue of 4m Tollgate shares

The Arwa side of the deal, which gives Tollgate a 58,5% shareholding and control, will be settled by the issue of just over 9m Tollgate shares — worth about R31m at its current market prices.

The 58,5% shareholding is currently held by the Claasen Trust, headed up by Tollgate chairman Johan Claasen.

Payment to minorities will be in the ratio of 80 Tollgate shares for every 100 Arwa held.

The increase in scrip will push Tollgate's issued shares from 24,8m to just over 37,8m

Had the acquisition been effective for the year to December, Tollgate's net worth would have been diluted to 286c a share from 402c.

However, earnings would have risen 24,3% to [illegible],4c a share — assuming the R20m to Gants was funded by an 11,5% preference share

Earnings for 1989 are expected to exceed 50c a share on its increased share capital.

Claasen says Tollgate is now soundly based with a clear direction in consumer-orientated industries.

"Group turnover will be nearing the R1bn-mark by the end of 1989 and intends becoming a major force in those industries recently entered," he adds Although transport and property will still provide the largest chunk of future contributions to earnings at 30%, textiles (25%), food (18%), engineering (15%) and leisure and tourism (12%) provide a well-rounded industrial portfolio.

In line with this, the company is planning to transfer from transport to industrial's on the JSE.

The R33m stake in Gant's, leaves the Gant family as the controlling shareholder, while Tollgate will play a significant role in its restructuring and future direction, says Tollgate MD Hennie Diedericks

"We always considered a substantial investment in the food-processing business a priority and attached great value to the Gant's brand name," said Diedericks.

Referring to the acquisition of Arwa, Diedericks says that like the food processing industry, the high cost of entry and the increasing reliance on locally manufactured textiles ensures a profitable and stable market in the years ahead.

"In the belief that the rand is unlikely to strengthen in the medium term, benefits will accrue to both these companies because of their export potential and the high cost of imports."

Surpluses of about R26m on fixed properties — mostly from the United Passenger Transport acquisition, will ~~aid~~ sponsor the acquisitions.

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ECONOMY

Mining and manufacturing reaping boom-times harvest

From DEREK TOMMEY

JOHANNESBURG — Those prophets of doom, the economists, have been forecasting dire times in 1989 in the wake of the recent rise in interest rates.

But so far the economy remains extremely strong, with both mining and manufacturing performing at record levels

The superlative performance of these sectors in many instances is the result of the drop in the rand, aided in some sectors by the steady economic conditions overseas

LARGE PROFITS

And with large profits still to be made, it seems likely that much of mining and manufacturing will drive ahead, in spite of higher interest rates All of which raises the hope that perhaps 1989 may not be as bad as the dismal forecasters are making out

The mining industry is continuing to experience a sharp rise in earnings Mining revenue surged in August to reach a record R3,2-billion for the month, Central Statistical Services reports

This is an increase of almost R800million, or 35 percent, on the industry's earnings in August last year Part of this improvement is the result of the drop in the exchange rate of the rand, which boosted dollar revenue by 18 percent, sterling revenue by 25 percent and yen revenue by 30,2 percent

But also helping is the continuing world metals boom, which has led to shortages of and higher prices for many metals

Revenue from gold in August, compared with a year ago, was 39,6 percent higher at R1,97-billion The increases in sales for other metals were

- Copper, 38,1 percent to R85,1-million
- Chrome, 30 percent to R28,6-million
- Coal, 29,1 percent to R485,9-million
- "Other minerals" including platinum and diamonds, 22,9 percent to R513,2-million
- Lime and limestone, 21,8 percent to R27,9-million

Asbestos sales rose 17,1 percent to R8,2-million and iron sales 8,5 percent to R50-million

The recovery in coal revenue possibly helps to account for the remark by Mr Derek Keys, chairman of Gencor, that the profits of its troubled coal investment, Trans-Natal, should "bounce" this year But while the mining industry is going great guns, the manufacturing sector has just had its best month for almost seven years

The index of manufacturing output (1980 equals 100) rose a further 1,78 percent in September to a preliminary 114,5, its highest level since 116,2 in November 1981

TEMPORARY JUMP

At that time the economy was being rushed along by the temporary jump in the gold price to above 800 Manufacturing production in September — in real terms and not inflated money terms — was 6,8 percent higher than a year ago

The machinery and equipment sector, which until recently had tended to lag the increases in other sectors, caught up with a jump in September, with production running 21 percent ahead of September last year

Increases in the output of other sectors were non-ferrous metal products 18,7 percent, beverages 15,4 percent, furniture 14,6 percent, electrical machinery 14 percent, textiles 13,1 percent, motor vehicles, parts and accessories 11,5 percent, wood products 10,9 percent, paper and paper products 10,6 percent and rubber products 10,4 percent

Sectors where output was lower in September than a year ago were tobacco products (-15,8 percent), pottery (-4,8 percent) and glass and glass products (-7,0 percent)

Output of transport equipment, other than motor vehicles, was 14,9 percent down

It is obvious that the increase in prime rate recently was a negative factor for the economy But against this must be measured the new export and import replacement opportunities afforded by the continued decline of the rand

CURL UP

Mr Warren Clewlow, chief executive of Barlow Rand, said last week that one-third of his organisation's earnings now came from overseas, that every division was actively seeking new export and import replacement products and that the group was planning to invest R1,5-bn next year, 40 percent more than it spent this year None of this suggests that Barlow Rand is about to curl up and climb into its shell next year

Obviously the higher interest rates must be a negative factor But with a large part of mining and manufacturing likely to be buoyed up next year by exports and by import replacement and by such developments as Mossgas, it is hard to see how times can be as hard as is being increasingly predicted

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Businesses facing new survival tests

By Ann Crotty

The past four years have seen confusing but dramatic changes for this country's businesses.

New trends have emerged which will in some way force corporate entities to change their strategic approach if they are to survive profitably.

This is the message of the latest *Early Warning* issued by business and market consultancy, Perry and Associates.

In the short term, profits are up and many companies have already made considerable adjustments but, according to the Perry report, the emerging scenario will require further adjustment or companies will face certain difficulty. Star 23/11/88

Companies that will become "the strong ones" in the 1990s will have eight key capabilities, of which two will be shared with winning companies worldwide, whilst the other six will be particularly relevant to this country.

The report states that: "All companies wishing to be counted amongst the strong ones in the 1990s must move towards developing the capability to:

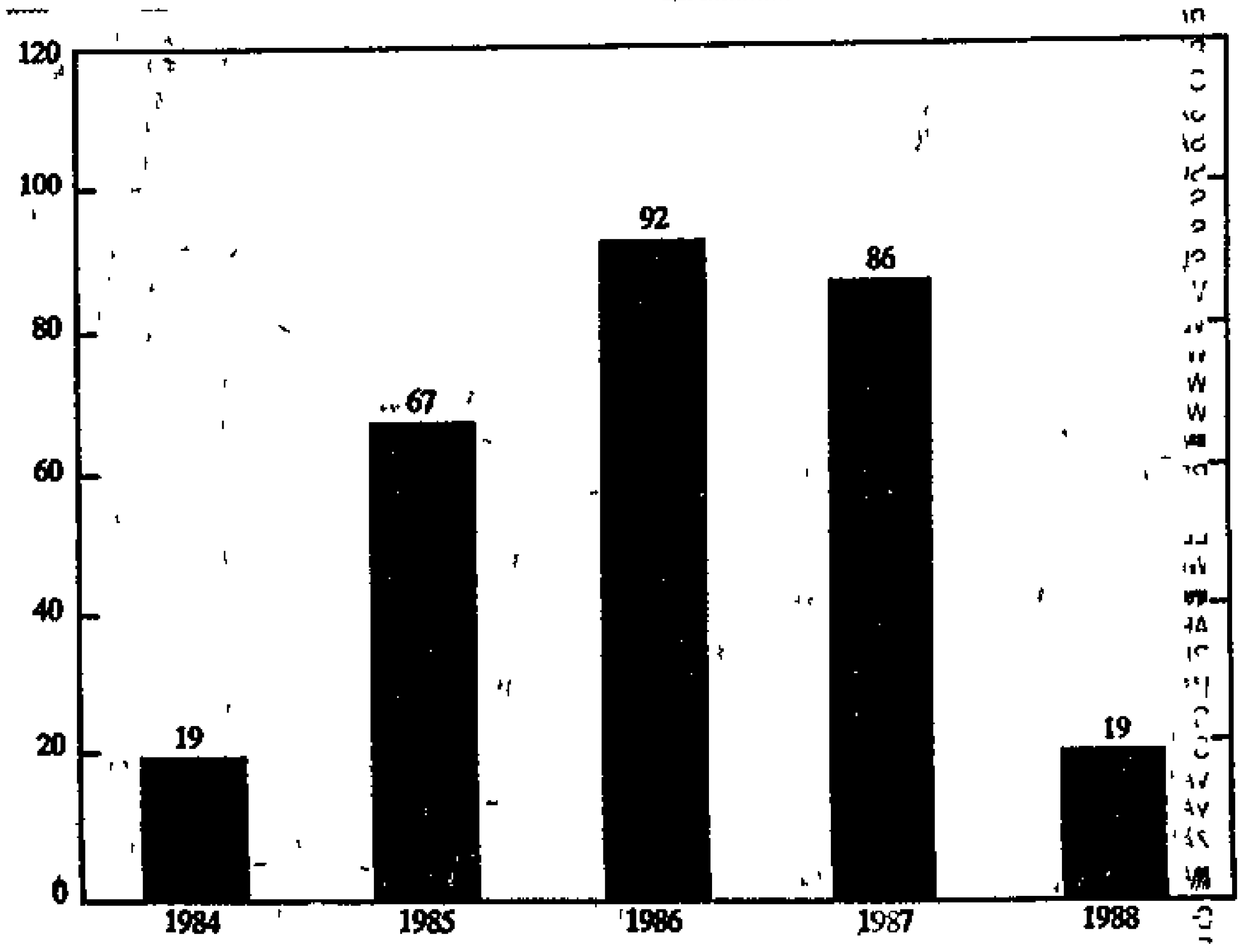
- Focus on key business activities.
- Drive towards lowest overall costs.
- Be responsive to changing circumstances.
- Be closer to labour and unions.
- Be people, productivity and rewards orientated.
- Have access to relevant technology.
- Have access to capital for growth.
- Form and manage strategic alliances.

Perry and Associates have identified seven key trends that have emerged over the last four years and stress that the impact of these trends will intensify

The seven trends are:

- The go-stop-go economy — a consequence of financial sanctions which have placed a ceiling on growth As soon as the economy starts lifting off, consumption increases, the investment phase of the boom approaches, and the government is forced to intervene with import and credit restrictions.
- The technological plateau — a result of the weak rand, sanction and disinvestment
- Industrial unrest — which is forcing companies to consider automation and mechanisation
- Black buying power
- Sanctions — a feature of business life that is expected to persist
- Government policies on deregulation, privatisation and competition.
- Disinvestment — this peaked in 1986 and has now lost momentum but if a Dellums-type bill is enacted in the US the trend could accelerate and then decline as the number of companies left, diminishes.

The report stresses that the key capabilities are not instant remedies and management will have to ensure that they are developed appropriately within the organisation.



The pace of disinvestment is slowing down (for now).

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24/11/88 B/Day

Manufacturing production up

GERALD REILLY

PRETORIA — The manufacturing production index for the three months to end August increased by 6% to 109,9 compared with the three months last year, Central Statistical Service said.

The value of sales increased by a solid 21,3% to R31 286,8m

CSS said production volumes for August alone increased seasonally adjusted by 1% compared with July And total value of sales for August was 2,3% seasonally adjusted — higher than for July

Economists expect the manufacturing tempo to be maintained at current levels until the end of the year

There could, however, be a dip in early 1989

According to another CSS release yesterday the net profit of manufacturing firms for the quarter ended June increased by 54,8% compared with the second quarter last year

There were increases in 22 of the 27 major manufacturing groups

Main contributions were motor vehicles, "other" chemical products and metal product industries

24/11/88 Sowetan

Soweto trade fair

THE Soweto Trade Fair aimed at affording a chance for small black manufacturers to exhibit their wares, is to be open to the public at the Jabavu Community Centre on Friday

Mr Robert Solomons, director of Robson and Associates who are promoting the show, said more than 100 black manufacturers will participate in the project that would attract hundreds of people from the Pretoria-Witwatersrand-Vaal Triangle complex

He said "The show is an eye-opener to consumers who never heard about the black manufacturer They will be seeing that they could save by buying from the township manufacturers

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Unrest

"Small business people will, inter alia, exhibit burglar-proofing, furniture, clothing, printing and a host of other items manufactured by blacks in the townships

Mr Solomons said since the idea of trade fair was formulated in 1984, tremendous strides had been made by black manufacturers

He said "The 1984 exhibition was not a success because of the unrest in the townships at the time, but this time we hope to produce the best"

There will be a gala opening of the show tonight (Thursday) at 7pm, according to Mr Solomons. The trade fair ends on December 18

Avoiding traps

FMM 25/11/88

The limiting factor in achieving manufacturing excellence in SA is not the lack of skilled labour, but management's rigid "mind set" and its adherence to traditional value systems

However, it is possible to escape this trap. The first step would be the implementation of a joint State/private sector national education programme aimed at functional management

This is according to Arthur Andersen and Associates senior manager Uri Galimidi, who believes that correctly implemented, computer integrated manufacturing (CIM) techniques could see SA firms becoming increasingly competitive in both exports and import replacement

Galimidi maintains the widespread implementation of CIM should be a pillar of the country's national manufacturing strategy

Such a programme would create an environment in which the principles of CIM — simplification, automation and integration — could successfully lead the country's manufacturing industry to its "rightful" place in the global economy

"CIM has failed too often because manufacturers have an incomplete understanding of what it is really all about and what its objectives should be," says Galimidi "The bottom line of any strategy must be to achieve competitive advantage "

This is not done through ad hoc automation of existing manufacturing facilities. More effective implementation will follow an in-depth analysis to create a better understanding of the manufacturing environment.

"Successful CIM begins with the simplification and restructuring of the manufacturing environment, rather than starting from the base of an existing complex and inefficient manufacturing operation

"The first aim is to reach the highest levels of efficiency, quality, service and flexibility and to eliminate any form of waste in the system

"Once simplified, the entire manufacturing process, including design, production and distribution, should be selectively automated to further improve productivity, quality and flexibility."

Only then should the individually automated processes be integrated so as to reduce manufacturing lead time and improve the flexibility and responsiveness to rapidly changing market needs ■

The Star Finance

Confidence improving, says Assocom

180

Star, 20/11/88

Finance Staff

Assocom's Business Confidence Index rose slightly in November to 96,6 from October's 95,7.

Assocom said yesterday that while business realised growth would be lower next year as the economy cooled down, there were a number of factors that improved confidence:

- The fact that growth expected for 1988 was on target at 2,5 percent. In addition, the manufacturing sector was performing well and some other sectors were reporting good business
- The improvement in the current account of the balance of payments suggested there was a better chance that the economy was adjusting to foreign exchange restraints
- Good corporate results would enable many companies to enter 1989 with a stronger balance sheet.
- Favourable political developments.

But Assocom said there was an underlying unease: "There is clearly an emerging concern that unpleasant shocks may come as a result of the perceived trends in government spending and their possible consequences."

Assocom said if tight control was not kept over fiscal policy and measures such as increased tax or further increases in interest rates had to be taken, business confidence would be damaged

Reviving W&A begins to look attractive

180

Star 1/12/88

Diagonal Street

SVEN FORSSMAN

Purely on fundamentals, there appears to be no reason why investment company W&A, listed in the industrial holdings sector, should not be at least R50 a share.

Yesterday it was trading at R37 a share, but based on its holdings in Hunts (which, without preferential shares, is worth about R66 million), McPhail (R6 million), AAF (R120 million), Homemakers (R60 million) and unlisted investments (about R15 million), the share's net asset value is R51,40.

There are other factors in W&A's favour to consider.

Through its 50-percent holding in London-listed AAF, ~~it has~~ risk-free rand-hedge qualities. AAF has placed £29 million in a bank in Switzerland, earning 12 percent tax-free until 1992. This will add about R2 per share to earnings for the current year.

The group reported impressive interim earnings of 312c a share for the period to June, an increase of 40 percent.

Turnover soared to just under the half-billion mark, rising 23 percent to R495 million.

Unlikely event

The interim dividend of 100c was 3,1 times covered.

So, even in the unlikely event of there being no growth for the second half of the year, earnings will exceed R10 a share.

Earnings were R7,70 last year.

W&A's gearing is a low 18 percent and it has just banked R100 million from the rights issue.

The historic dividend yield of 8,1 percent is higher than the sector average of 5,5 and its historic P/E ratio is 4,5, compared with the sector average of 7,4.

With regard to the group's shareholding, 3 million of the 5,2 million shares in issue are held by FSI.

Of the remaining 2,2 million, it is estimated that about 200 000 are potentially weak shareholders.

The group's management is strong, as evidenced by the interim results and the strong performance of its subsidiaries.

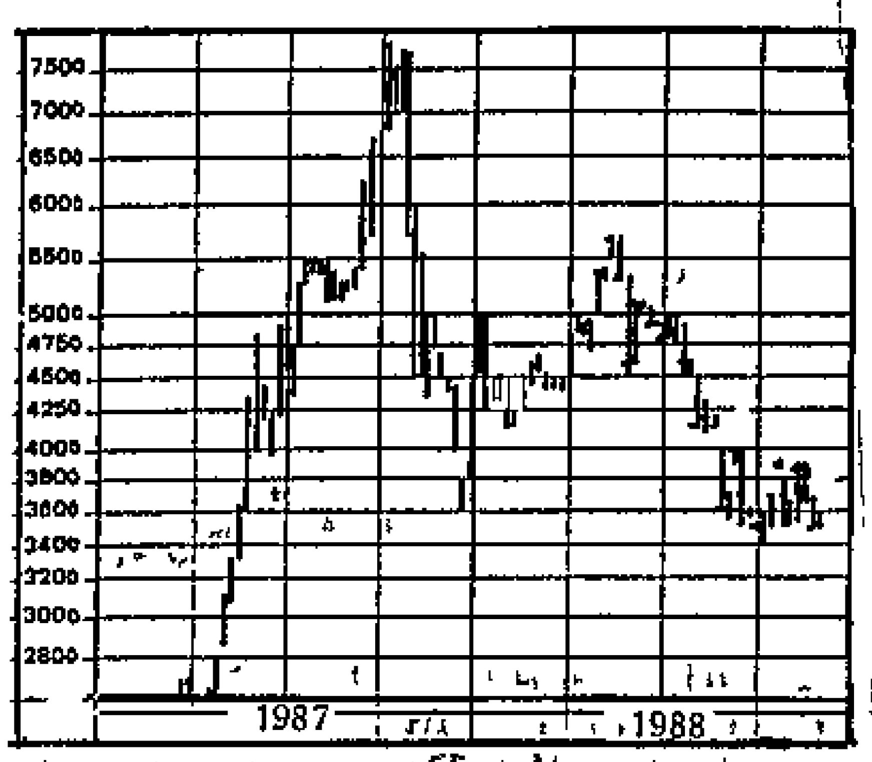
It is also a feather in W&A's cap that National Bolts, which is 78 percent- owned by Hunts (in turn 65 percent-owned by W&A), was this week named the top company of the year by Sunday Times.

The market has been critical about W&A because it felt that the restructuring was simply some fancy financial gymnastics and that the big institutions did not show any confidence in the group.

The market also felt the departure of Brian Joffee was a negative.

But trade in the share has picked up over the past two weeks and dealers said yesterday there wasn't much scrip around.

It seems the market can no longer afford to ignore the hard facts.



W&A share price

Offshore interests hold down profits at Plate Glass

Star 1/12/88

(180)

By Ann Crotty

Plate Glass increased turnover by 32 percent and operating profit by 27 percent for the six months to end-September.

An increase in the tax rate held back the improvement at the earnings level to 16 percent A dividend of 65c (55c) a share has been declared

Some investors who were attracted to Plate Glass because of its rand hedge qualities may be a little disappointed that the benefits of the group's wide geographical spread are likely to be realised in the longer rather than shorter-term

The interim figures show that, far from lifting performance, the overseas interests have held it back.

As the directors note the cost of new offshore developments was significant and slowed the overall profit increase in the review period "This thrust will continue to retard the group's rate of earnings growth in the short to medium-term"

Start-up costs relating to international expansion are expected to absorb about 40c a share from the group's full year's earnings Analysts estimate that some 30c of this has probably been knocked off the interim earnings figure

Another overseas-related factor impacting the earnings figure is the affect of the depreciation of the rand According to management this added some 8c to the six months figure In financial 1988 the weaker rand helped to lift income from overseas operations by 28,5c a share

The group has reported turnover up to R1,4 billion (R1 billion) and operating profit up to R112,4 million (R88,5 million) The tax rate was up from 44,5 percent to 51 percent The group does have some tax losses but these cannot be offset against profitable operations across borders

Attributable income was up 16 percent to R34,6 million (R29,7 million)

The group's local operations made a strong contribution to the interim performance Exports also performed well although "some markets became more difficult because of international sensitivities"

The directors noted that offshore companies increasingly had to fund expansion with a disproportionately high level of debt and that this situation was exacerbated by the goodwill write-offs which constituted the major portion of the R52 million non-trading items on the interim income statement

The combination of the strong domestic performance and the diluted international contribution meant that the profit mix swung from 50 50 at year-end to 60 40 in favour of the local operations

Spell out our rights, Colgate MD asks CP

Star 21/12/88 180

By Kaizer Nyatsumba

The Conservative Party-controlled Boksburg Town Council, which put the East Rand town on the international map by enforcing strict apartheid, should not be surprised at getting "equally strong opposition and criticism", Colgate-Palmolive managing director Mr G W Nocker said yesterday

In his letter to the CP's spokesman on economic affairs, Mr Clive Derby-Lewis, dated December 19, Mr Nocker said no country in the Western world, including South Africa, could ignore the views of the business community.

He was replying to Mr Derby-Lewis's letter wherein the CP MP accused him of "intruding in the democratic process in South Africa" after Mr Nocker had made an attempt to have his factory rezoned from Boksburg to Benoni to dissociate itself from the CP's racist policies.

NEGATIVE EFFECT

"If Mr Derby-Lewis questions Colgate-Palmolive's right to express opposition to the Boksburg Town Council's policies and actions, then he should remember that business contributed more than 50 percent of all rates and taxes paid to the Boksburg council," said Mr Nocker

It was his belief, he said, that responsible businessmen and members of the public had not only a right but also a duty to challenge any policies or actions, by anyone, that would have a negative effect on business and the community

"If we have no right to comment on their actions, I believe it would be important then to tell us what our rights are This is particularly important to companies that might have multimillion-rand expansion plans which will create more jobs and bring more prosperity to Boksburg — and also to those new businesses that might be planning to open in Boksburg," Mr Nocker said in his letter

He urged Mr Derby-Lewis, "in the interest of the community and of democracy in its wider sense", to reconsider the Boksburg Town Council's actions, which would affect the livelihood of many people, including those the CP claimed to represent

S/Times 4/12/88 (180)

The meteoric rise of M & A

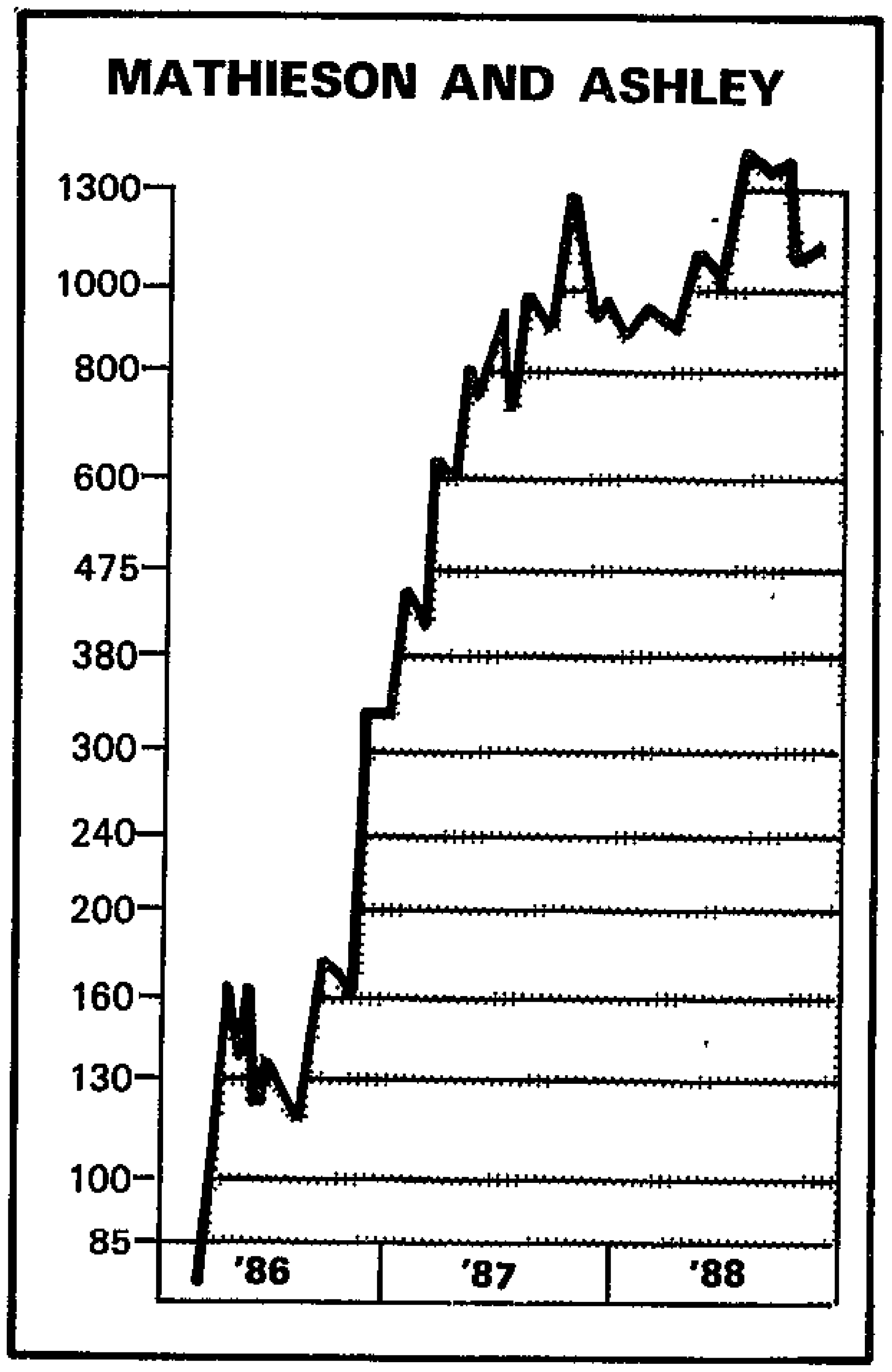
By UDO RYPSTRA

IN ONLY its third year of appearing in the Top 100 Companies, Mathieson and Ashley Holdings has catapulted into fourth position, thanks to two consecutive years of earnings per share growth, of 93% (1988/89) and 109% (1987/88).

Just two months ago, shareholders were handsomely rewarded with a dividend payout of 50c per share, more than double the previous year's 23c

Chairman Winky Ringo ,40, whose driving force has made a major contribution to M&A's featuring in the Top Ten, feels understandably proud of his group's achievement, which he believes to be the direct result of a decentralised management structure introduced 18 months ago

Blue chip M&A's background extends 20 years to 1968, when Ringo and Rudi Schmidt (now MD of manufacturing subsidiary Woodmet) decided to enter the office furniture industry



Backing

Mathieson and Ashley, then only in the fireproof and Cardex cabinet manufacturing business, provided the financial backing

With Ringo as MD, Dashing Office Furniture was started on December 16 1968 The company did so well that four years later, at the age of 28, Ringo was appointed deputy chairman of the M&A group

In 1987, Ringo and Martin Glatt, previous CE of W&A, headed a consortium that acquired control of Investors Club, which in turn holds 72% of M&A

M&A emerged with an impressive board In addition to Ringo and Glatt, it includes Ringo's mentor Dr Bill Venter, Altron deputy chairman Neill Davies, Colin Datnow, Wits Business School dean Professor Andy Andrews, business organisation and development professor Allen Zimbler; and attorney Patricia Trahar

As chairman of M&A, Ringo decentralised management (he has a corporate staff of only four) and broadened the group's range of management skills to involve CAs and MBAs in various operations

This strategy gained the group market share and also made it possible to adopt a policy of enhancing growth by acquisitions

Earlier this year, Ringo merged M&A's office furniture interests with those of SA Breweries' furniture manufacturing subsidiary, Afcol, into Kallenbach Hendler (KH)

Decentralised management structure is the key to our big success, says chairman

In the new structure, M&A and Afcol's Afman each hold 50% of KH which in turn holds 100% of Afcol's office furniture interests, including Anglo Dutch

M&A assumed management control of the new group, as well as receiving a cash injection of R10m and a special preference dividend for three years

Demand

After the Afcol merger, M&A is looking robust — turnover of the combined office furtniture and equipment divisions for the financial year ending June 1988 increased to R39-million from the previous year's R38-million, despite the disposal of the Gover Dando/Business Forms division

A company that M&A retained is the fire-resistant cabinet manufacturing company, Manda, which Ringo reports still cannot keep up with demand

It also retained M&A (Pty) Ltd, the SA distributor of Tec fax machines, which he believes will contribute more than R1-million to profits this year

As regards the office furniture industry, Ringo explains that thanks to information technology, it is no longer cyclical worldwide like the rest of the economy

In the M&A group Dashing, in the past often described as the "jewel in M&A's crown", consistently performs well, while Anglo Dutch under its new management has seen recent sales climb steadily to some R3,5-million a month

Pressure

Offex, launched only a few months ago to provide off-the-shelf, middle-market office furniture, is already notching up sales approaching R1-million a month

This subsidiary is to go national, with branches to be set up in Pretoria, Cape Town and Durban

What of the outlook for M&A — a group with R13-million cash on call and a total net asset value of some R17-million?

MAN AT THE HELM . chairman Winky Ringo is understandably proud of Mathieson & Ashley's achievements

Ringo believes that as the group is completely ungeared, it could make a single acquisition of about R25-million, or a number of smaller ones, next year

With the local office furniture market under pressure, M&A is looking at exports R3,5-million-worth of plant on the water represents 35% additional capacity early in the new year, which will be available for the export market

Added incentives for a major export initiative are the low rand value and the excellent quality of M&A's products

Benefit

"In Europe, only a handful of manufacturers are better than us and many more are not as good," asserts Ringo

"Our pricing is right and I'm optimistic that shareholders will see the benefit of exports in M&A's 1989/90 financial results"

But to get into the export market in a big way, an offshore investment may be needed Ringo is looking hard at this

In the final analysis, from the base he has established and the developments on which he is working, it's not hard to believe that Ringo has set his sights on the No 1 position for M&A in the Top 100 Companies next year

BUSINESS TIMES
TOP 100 COMPANIES
SUPPLEMENT TO THE SUNDAY TIMES DECEMBER 4 1988

S/Times 4/12/88 180

Natbolt secures the honours

By DAVID CARTE

THE Business Times top company for 1988 is National Bolts.

Now part of Jeff Liebesman's FSI stable, the country's biggest industrial fastener company has risen from the ashes since the black days of 1983 and 1984

In those years, a once-proud Anglovaal company declared attributable losses of R1,6-million and R9,2-million

Spectacular

Last year Natbolt made R18-million, and the target for 1989 is a profit of R25-million before tax.

This phoenix-like rise has been accompanied by spectacular share-price performance. The share rose from R4 to R32 before the October crash which has subsequently set it back to R20

Shareholders who have had the nerve and the patience to stay on board through Natbolt's rich and chequered recent history have been richly rewarded

They have earned an average annual return of 62,2% a year notwithstanding the great crash of last October. Those who had R10 000 in the company in September 1983 would have had an investment worth R112 260 in September this year

Chairman Terry Rolfe accepted the award for top company at the Sunday Times awards banquet a year after National Bolts former managing director Jossie Marcus died in the Helderberg air crash.

Amazing

'Jossie was a great friend and an important part of the recovery of Natbolt,' Mr Rolfe told Business Times. "It's tragic he couldn't be here to enjoy this recognition."

The new managing director charged with attaining the R25-million target is Allan Schlesinger, formerly of Sage Schachat.

It has been an amazing year for Jeff Liebesman Terry Rolfe Ivan Posniak, Neville Cohen and the rest of the teams in FSI and W&A. Three of their companies are in the Top 10 Business Times rankings.

Apart from National Bolt at the top of the pile, FSI ranked eighth and W&A ninth

There is more detail on each of the top 10 companies inside this survey of companies that performed best for shareholders.

The winner for the previous two years, Waltons Stationery, was pipped into second place, earning an average 57,8% a year compound for its shareholders in the five years.

This must have been a major disappointment to Waltons founder and driver, Frank Robarts who vowed last year to make top company for the third successive years and hoisted earnings this year by more than 80% to bolster his claim.

Waltons was unlucky to be pipped because it came off a much higher base than National Bolts.

Growth

Business Times is proud to have been the first newspaper to identify companies such as Waltons, Metair and Suncrush as corporate stars.

Waltons really does deserve special mention because, as we have said before, it had no special factors running in its favour

The low rand, commodity prices, an absence of competition etc, played no part in its incredible success

It is the biggest stationery company in SA — but it became that in spite of intense competition

There are still hundreds of competitors but Waltons goes from strength to strength.

Remgro has had an outstanding five-year trot, ending well above the levels of last October Anton Rupert's tobacco multinational has been the JSE's ultimate rand hedge and a wonderful example of the benefits of profit retention and financial prudence

The splitting of the group into onshore and offshore companies this year improved market capitalisation dramatically

JUBILANT. Natbolt chairman Terry Rolfe and managing director Allan Schlesinger

Targeting in on R25m pretax profit in 1989

Mathieson & Ashley leapt up the lists driven by the entrepreneurial imagination of Winky Ringo who shaped Dashing into an office-furniture company with which to reckon — just as thousands of square metres of new office space came on stream and as corporate profitability improved sufficiently to invest in furniture to accommodate information technology

This year's takeover of chief rival Anglo Dutch from Afcol and the company's association with Bill Venter caught investors imaginations and sent the share soaring.

Crashed

The Jowell brothers unlikely Namaqualand transport, tyre-retreading and industrial empire recovered from a bad year in 1983 to be ranked fifth this year

This company is further confirmation of the adage that it's not the type of company that matters but the type of management.

The crash had the effect of

☐ To Page 3

THE TOP 100 COMPANIES OF 1988

No		All in return (% pa) over 5 years
1	National Bolts	62 2
2	Waltons Stationery	57 8
3	Rembrandt Group	53 2
4	Mathieson & Ashley Holdings	47 9
5	Trencor	45 7
6	Samancor	42 9
7	Irvin & Johnson	42 4
8	FSI	39 9
9	W&A Investment	39 7
10	Malbak	37 7
11	De Beers Consolidated Mines	36 9
12	Anglovaal	35 9
13	Rustenburg Platinum Holdings	34 3
14	Suncrush	33 3
15	Tiger Oats	32 2
16	Plate Glass & Shatterprufe Industries	31 4
17	Mutual & Federal Insurance	31 0
18	Pepkor	30 2
19	Johannesburg Consolidated Investment	29 7
20	Edgars Stores	29 1
21	New Bernica	29 0
22	South West Africa Fishing	28 9
23	Gentyre Industries	28 8
	Edward L Bateman	28 8
	Anglovaal Industries	28 8
26	Utico Holdings	28 2
27	Chemical Services	28 1
28	Cadbury Schweppes (SA)	27 9
29	Trek Beleggings	27 4
30	Tollgate Holdings	27 0
31	Hartebeestfontein Gold Mining	26 8
	Adcock Ingram	26 8
33	Liberty Life Association of Africa	26 7
	Foschini	26 7
35	Kloof Gold Mining	26 5
36	Anglo American	25 7
37	Farm-Ag	24 6
38	African Oxygen	24 5
39	SA Bias Holdings	24 3
	Palabora Mining	24 3
41	Impala Platinum Holdings	23 7
42	Pretoria Portland Cement	23 5
43	South African Breweries	23 4
44	Trans Hex Group	22 5
45	Vaal Reefs Exploration & Mining	22 0
46	Sappi	21 9
47	Imperial Cold Storage & Supply	21 4
48	Times Media Limited	21 3
49	Argus Printing & Publishing	20,9
	Driefontein Consolidated	20,9
51	Gold Fields of South Africa	20 7
52	H&J Supreme Cables & Electronics	20,5
53	Venterspost Gold Mining	20,0
54	Western Deep Levels	19,8
55	Consol	19,5
56	General Mining Union	19,2
57	East Rand Gold & Uranium	19,0
58	Messina	18,9
	Rentmeesterbeleggings	18,9
60	Metair Investments	18,8
61	Saficon Investments	18,5
62	CNA Gallo	18,5
63	Deelkraal Gold Mining	18,4
64	McCarthy Group	18,4
65	Randfontein Estates	18 1
66	Eastern Transvaal Cons	18 0
	Sage Holdings	18 0
68	Fedfood	17,8
69	Hunt Leuchars & Hepburn Holdings	17,5
70	CBD Property Fund	17,3
71	South African Eagle Insurance	17,2
72	Northern Engineering Industries Africa	17,0
73	Grinaker Holdings	16,8
"	Sasol	16,8
75	Kinross Mines	16 7
	Barlow Rand	16,7
77	Anglo American Industrial	16,6
78	Nampak	16 4
79	CG Smith Foods	15,3
80	Seardel Investment	16,0
81	Cullinan Holdings	15,2
82	Centrecity Property Fund	15 1
	Village Main Reef	15 1
84	Blue Circle	15 0
85	Anglo American Coal	14,9
	Putco	14,9
87	Haggie	14,7
88	TW Beckett	14,2
89	Bracken Mines	13,8
	Dorbyl	13 8
91	Kohler	13,7
92	Anglo-Alpha	13,4
	Rand Mines	13,4
94	Guardian National Insurance	12,8
95	Haddons	12,7
96	Toyota South Africa	12,4
97	Santam Insurance	12,3
98	Allied Technologies	12,2
99	Vlakfontein Gold Mining	11,8
100	Winkelhaak Mines	11,7

P.T.O

Natbolt secures top honours

S/Times 4/12/88

From Page 1

reducing five-year yields to shareholders dramatically

The one-year table on Page 3 illustrates the point graphically

Fewer than 50 companies showed a positive return at all in the year to September and a number crashed by 80% to 90% on the year

The average yield on the top 10 companies this year was 46,9% compared with 69% last year The 100th company, Winkelhaak Mines, this year returned 11,7%, against S M Goldstein's return last year of 32,7%

Once again there was much mobility up and down the lists This is a race over a moving five-year period The crash of last October upset the rankings badly, but several old favourites weathered the storm

This year there are five Royal companies — those that have been in the top 20 for three consecutive years They are Waltons, Rembrandt, Rustenburg Platinum, Suncrush and JCI

The crash hit the highly rated electronics sector hardest of all. Bill Venter's Altech tumbled from seventh to 99th spot, even though all operations performed more than creditably during the year

Triple winner Toyota plunged from 17th to 97th position, while it was a tribute to New Bernica that it fell only from third to 20th

(180) Leap

One company that leapt up the list was Winky Ringo's Mathieson & Ashley, which leapt from 55th to third after the main operating company, Dashing, acquired chief rival Anglo Dutch — and Bill Venter came on board as a non-executive director, underlining the synergy between office-furniture and office-appliance suppliers such as Fintech

Plate Glass soared from 37th to 14th and the Jowell Brothers' hot-performing Namaqualand transport empire, Trencor, moved from 18th to fourth position.

Samancor was not even in the Top 100 last year, but, thanks to a low rand and burgeoning demand for manganese and ferro-alloys, it has become the biggest single profit source in Gencor and deservedly claimed fifth spot

The share price has had a volatile recent history, plummeting after the crash from R14 to R6 a share, then screaming up to R16

Malbak, placed fifth this year, was excluded last year and the year before because it was felt it had changed its nature by acquisitions

We have reviewed its exclusion first because we now reason that it matters not if a company changes from a fish-and-chip shop to a high-tech computer operation If it performs for shareholders after coming from obscure roots, its achievement is so much the greater

Malbak's share-price performance can be accurately traced through Malhold It has the same management in basically the same businesses, even though today's assets are 10 times those of five years ago.

Critics could argue that Malbak acquired Protea and then Gencor Industries' assets on favourable terms — but all the more credit to Grant Thomas and his team

Sanlam and Gencor would not have entrusted them with those assets had it not had faith in them The performance figures we have calculated reflect Malbak in its present form for two years of the five

FSI was not listed five years ago, but its history can be traced accurately through IFM. It is included on the same grounds as Malbak

J J Williams' blue chip in food, Irvine & Johnson, moved up from 16th to seventh, while its holding company, Anglovaal, made similar progress, improving from 15th to 11th

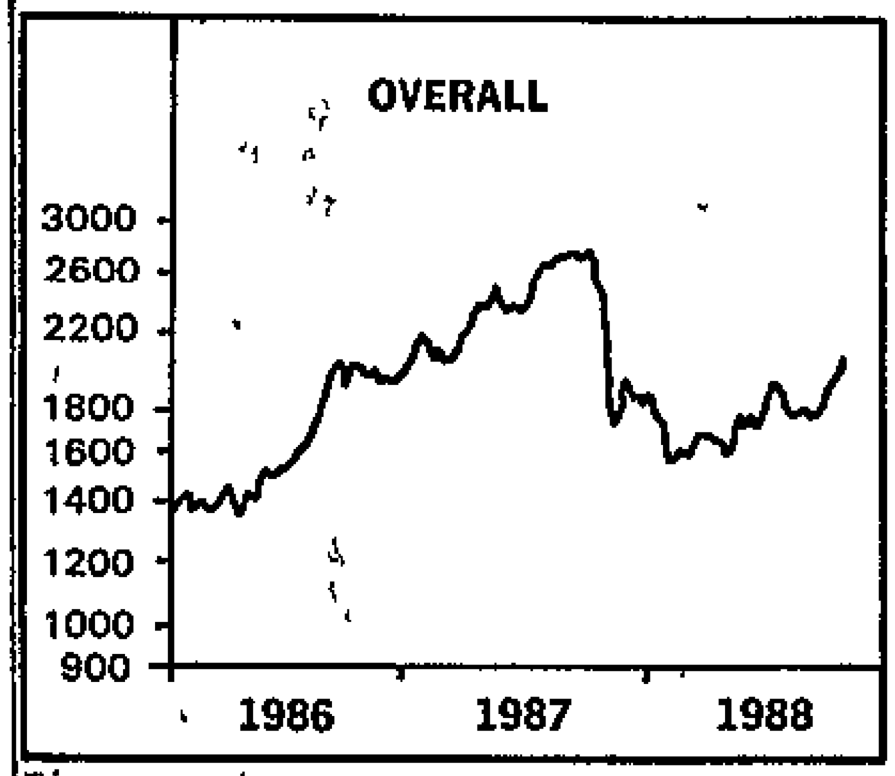
To sum it up, it was those blue chips that were not overrated last year, the rand hedges and the special situations that did well this year — companies that had been revamped or taken over or which enjoyed foreign earnings

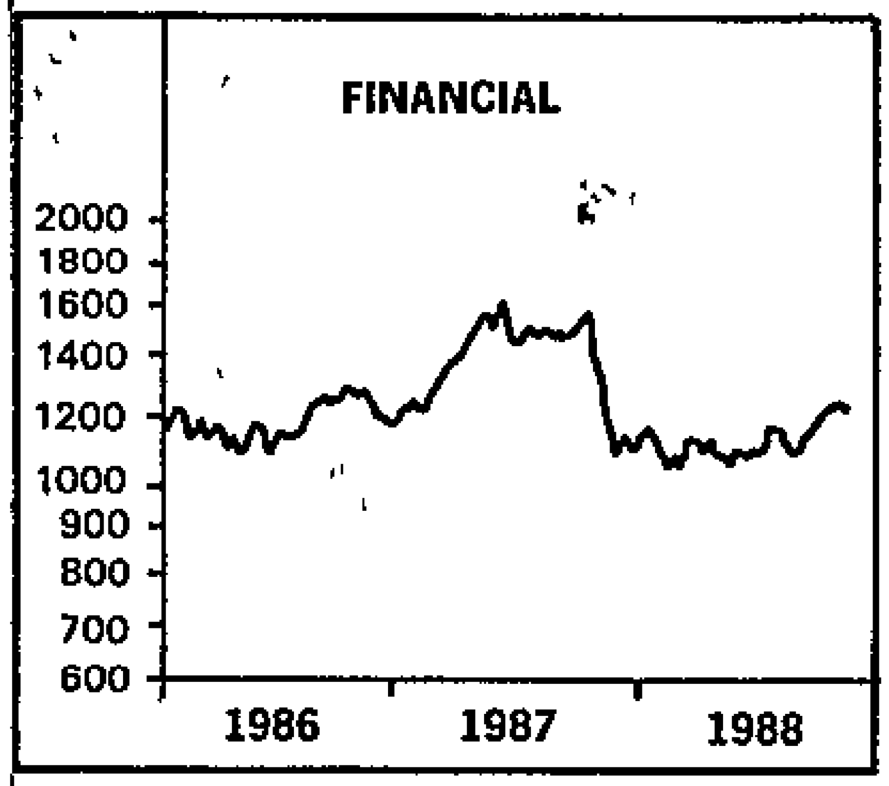
 (180) S/Times 4/12/88

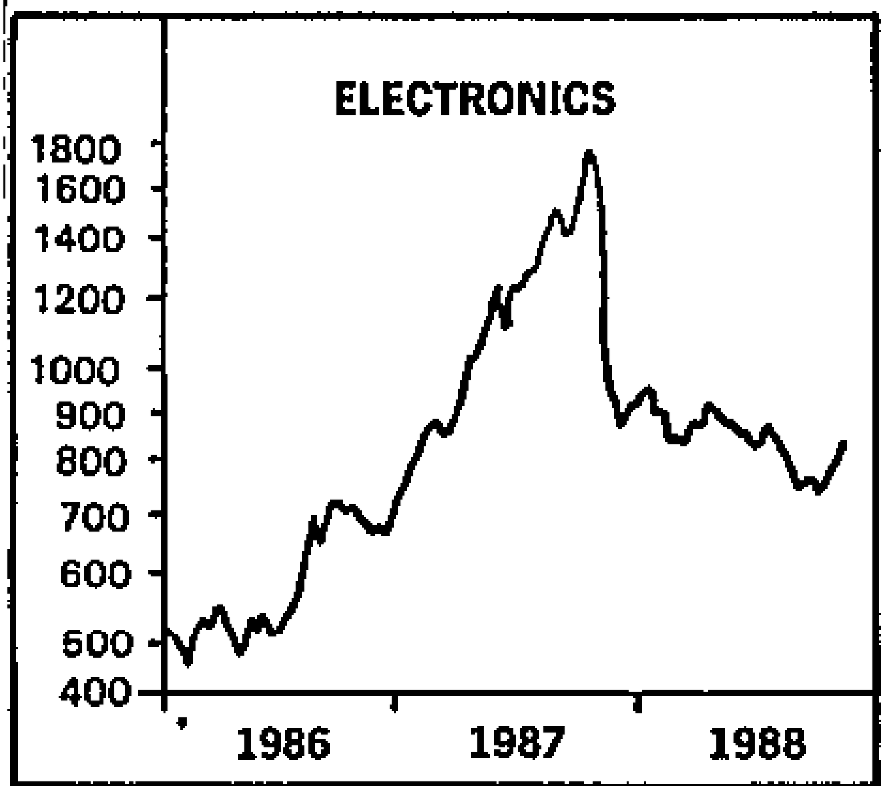
IT WAS A VERY GOOD YEAR ON THE SHARE MARKET

DAVID CARTE takes a look at the JSE

Surprise, surprise!







YES, 1988 was a very good year for the Johannesburg Stock Exchange — after February! The JSE Actuaries overall index tells the story fairly eloquently

The October crash caused the index to plunge from 2750 to 1700 in seven weeks Then there was a timid bounce up to 1900 by early December 1987

It was a bull trap, for by February there was another sickening drop to 1520 At that stage the market had lost 44% of its value and the JSE had fallen further than virtually any market in the world

The great crash had little impact on real economic activity and company profits went from strength to strength It soon became evident that the crash had been over-done The average PE ratio had fallen from 15 before the crash to about 6 in mid-February

Cash continued to flow into the institutions at the rate of more than R20 billion a year and some of them had become embarrassingly liquid Yet sheep-like, they stayed out of the market, which re covered for virtually the rest of the year

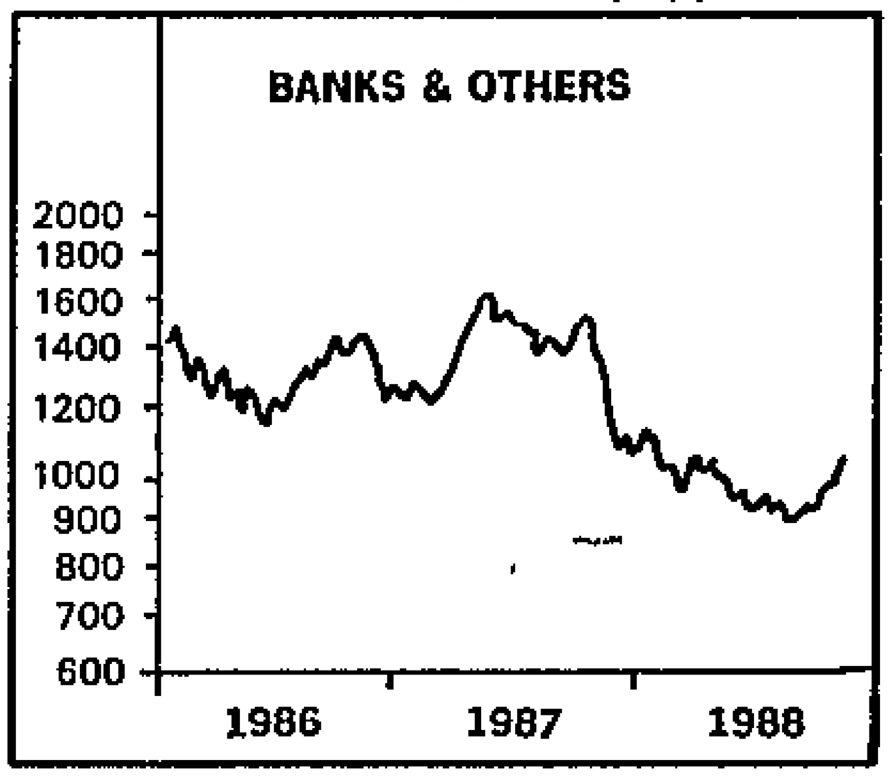
Our company performance figures are measured at end September, at which point the overall index had recovered to 1790 Since then the index has screamed up above 2000, recovering by 31% since the bottom and today only 27% off the all time high

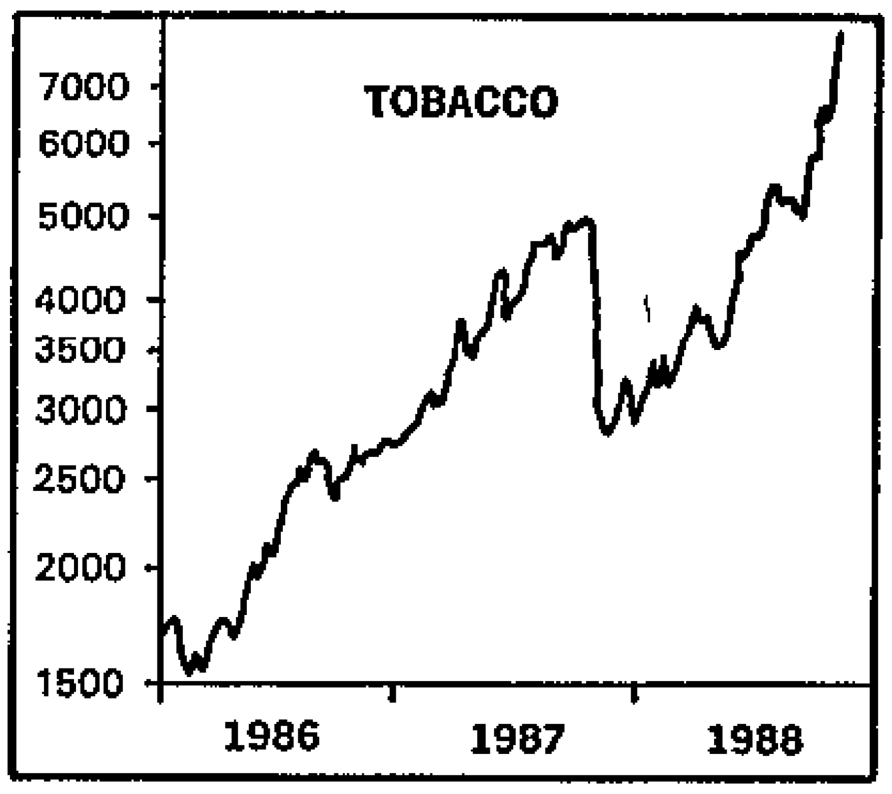
Dumped

To every South African s disappointment, gold was dumped along with virtually every asset other than cash in the October crash The all gold index plunged from 2400 to 1500 (37,5%) in seven weeks There was an encouraging bounce to 1820 as gold moved up on a weakening dollar, actually penetrating $500 briefly

What a let down Gold weakened and the rand strengthened to $0,50, sending the gold index into a 36% free-fall to 1150 in mid May At that point a South African holder of gold shares had lost on average 52% of his capital There was a weak rally in gold shares in July and August but by our measuring date, end September, the average loss on golds was still something like 50%

Holders of industrial shares had a slightly less harrowing year The plunge in the industrial index was, if anything, worse than that in golds — from 2210 to 1410 (36%) in six weeks — shades of Doomsday





There was some sideways vacillation until stunning company results caused a convincing break out from May Since then, industrials have bounced from 1470 to 1820 and as I write the indus trial market is only 24% off of last October s heady high

Diamond shareholders, which virtually means De Beers had probably the most exhilarating roller coaster ride of all, with the index plummeting from 10 500 to 4 200 — 5 000 points in two weeks — after the crash before bouncing back to 8500 towards the end of the year After the crash had destroyed so many billions in personal wealth, who could have believed anyone anywhere would have the means to buy diamonds? But CSO and De Beers sales and profits hardly hiccupped

The pharmaceutical index plunged from 600 to 310 in a week and recovered in a week to 425, forging a deep V' And the crash and recov ery in platinum was almost as dramatic, with the index plunging from 4 250 to 1 600, before recovering on a strong metal price plus a soft rand to 3 300

The insurance and investment trust indices had a sickening fall and then a spectacular recovery Unfortunately, the joy was not universal It was confined to Liberty and Fugit, which dominate those sectors Their bounce-back was inspired by the sep aration Rembrandt style of the local and foreign assets, with the local assets going into Fugit

Plunge

Banks' margins were dev astated by political curbs on higher interest rates and as a result the index spent much of the year drifting lower and lower Most bank shares are lower than they were four years ago Banks' distress also had the financial index going sideways Property and property trusts were weak all year, drifting sideways and downwards

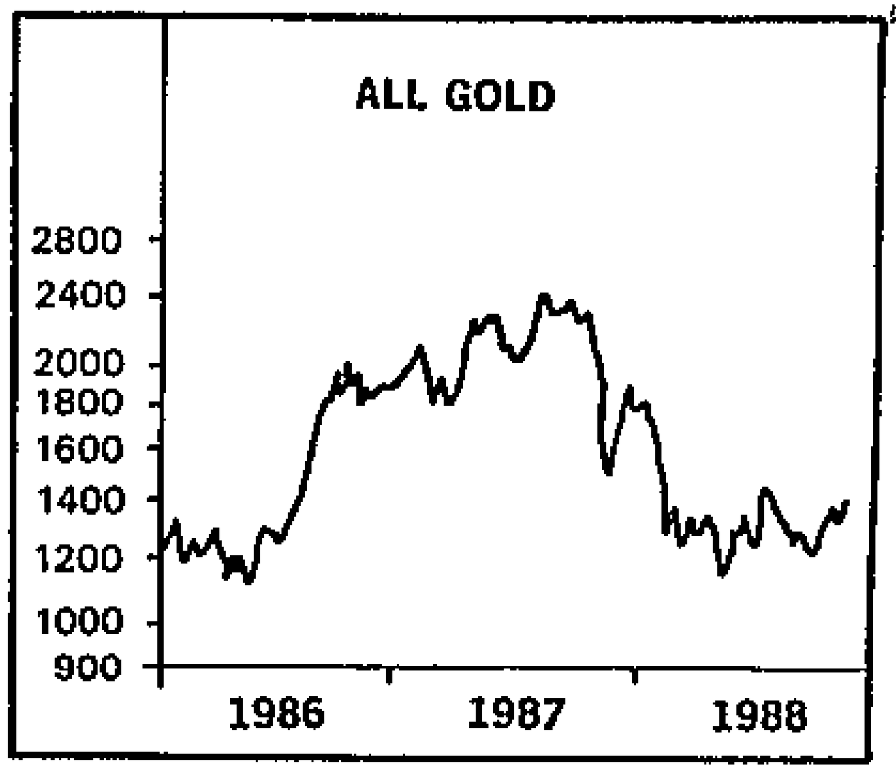
The electronics sector plunged almost as sickeningly as the diamond one — but even though profits of the major players kept growing at 25% plus, there was no significant bounce-back, hence Altech's fall to 97th place in the rankings

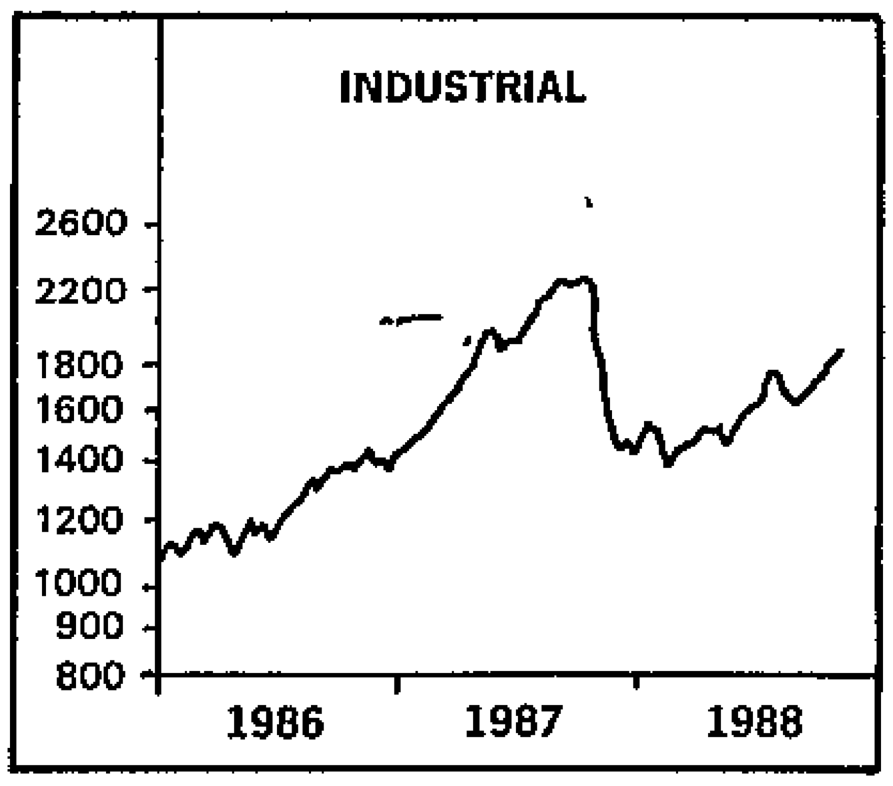
The only sector completely unharmed by the October crash was fishing Much improved catches together with big cash dividends out of the Tiger companies protected the index

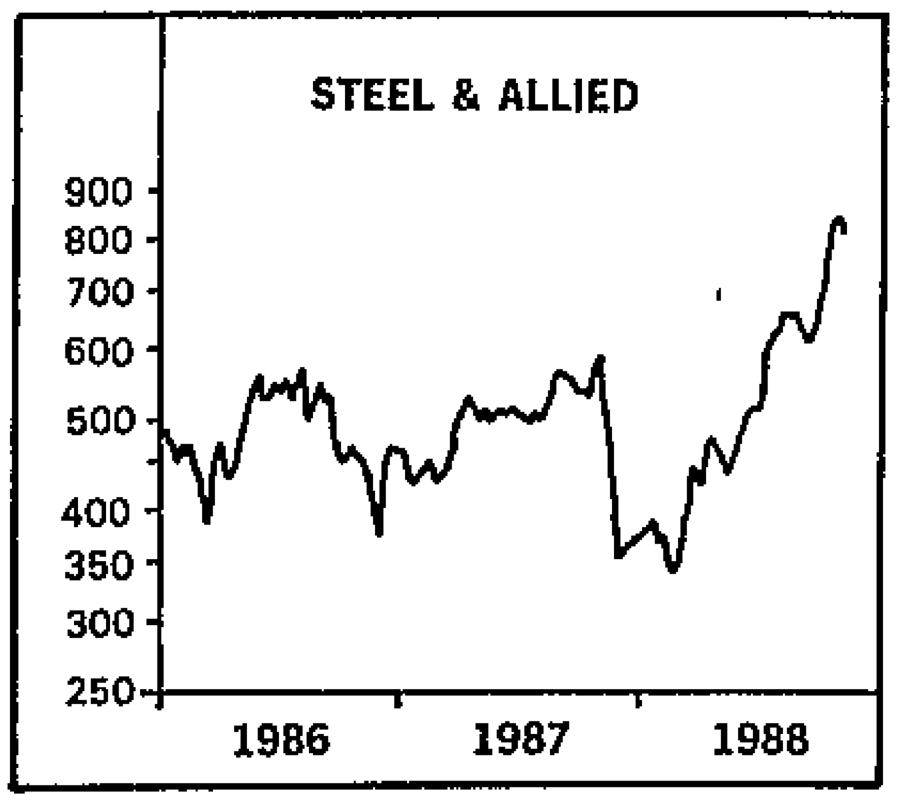
Union Steel tops Business Times one year list Others in the sector such as CMI High veld and even Vereeniging whose minority is being tak en out rather lucratively, also had a great year So it s no surprise the index screamed from a post October trough of 340 to end the year near 850

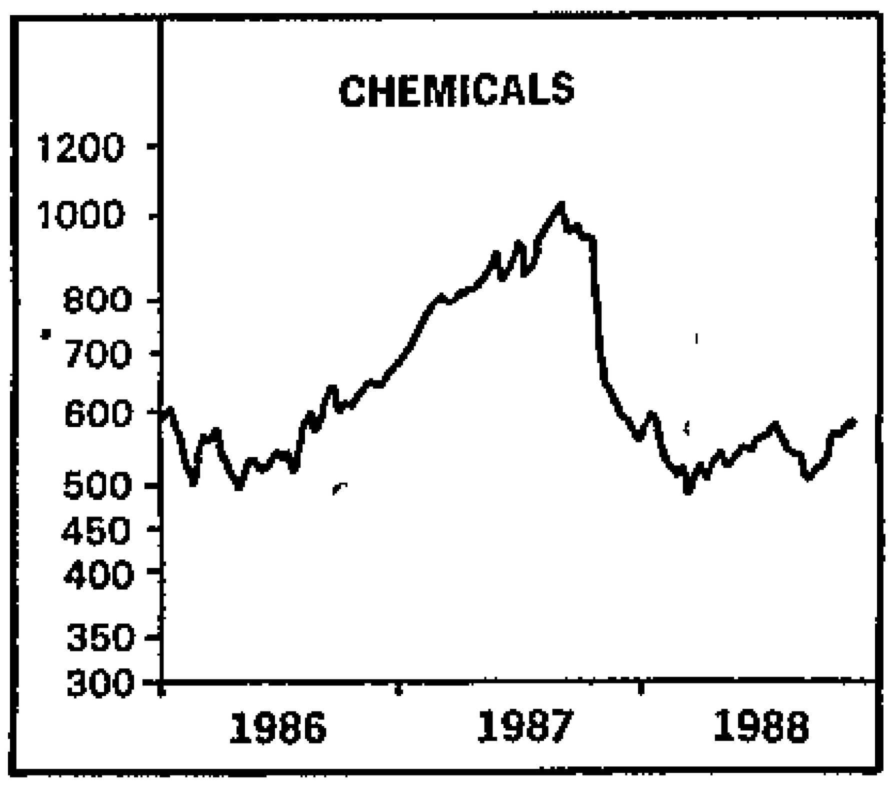
Thanks to Sappi the paper index was another great per former ending the year well clear of last October s 2600 Transport was another sec tor to beat last October

But thanks largely to Rem brandt and its reconstruc tion tobacco and match re covered best of all soaring from 2 800 in December to 7771 in mid November









S/Times 4/12/88 (180)

JEFF'S 8-YEAR MIRACLE

Results so astonishing that they leave most competitors gasping

WHAT Jeff Liebesman has achieved in the eight years since he gave up auditing is astonishing So astonishing that many observers have difficulty believing it.

In seven years, turnover has grown eleven-fold to R1,3-billion and pre-tax profits 203 times to R122-million In the five years since FSI went public, earnings a share have risen at an average compound rate of 74% a year

In 1981, the group had one factory and one distribution branch in one country Today, there are 28 factories and 560 outlets on five continents

By DAVID CARTE

There are 16 companies listed on several stock exchanges — and Mr Liebesman actually has control.

Judgment on FSI is mainly still reserved but Mr Liebesman and right hand men Terry Rolfe, Neville Cohen and Ivan Posniak, make a convincing case for their formula

Hiccups

After FSI bought 48,5% of Waicor from Mannie Simchowitz for R112-million in cash and the stock market crashed, several respected observers felt Mr Liebesman had bitten off more than he could chew and predicted the demise of FSI and himself

But after a few hiccups and revision of the terms, the FSI rights issue was fully subscribed.

The rights issue degeared the company just as interest rates became punitive — and did much to allay reservations about Mr Liebesman and his group After the rights issue, the share price rose to reflect improving credibility

Today even the sternest critics acknowledge that Mr Liebesman has pulled off a coup

As one said "He paid too much for W & A, the market crashed and, yet through imaginative and daring corporate reconstruction, he salvaged the situation.

'Even after the rights issue there is a bit too much gearing and there is also a feeling that every cent of earnings has been drawn out of the operating companies That, with higher interest rates and recession ahead, means there is a bit more risk in FSI than Barlows.'

Chance

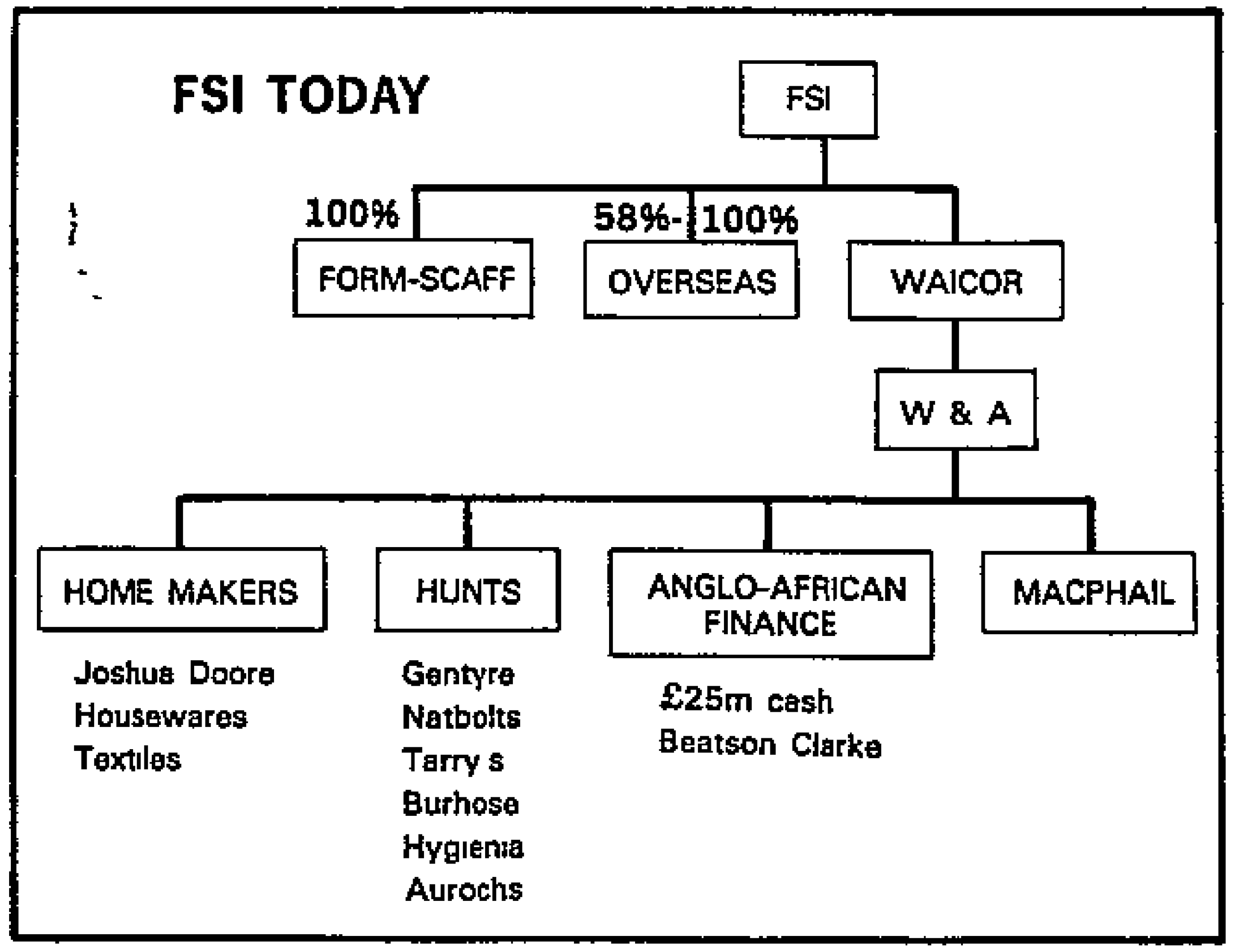
The history is fairly well known Shortly after qualifying as a chartered accountant at Kessel Feinstein, Mr Liebesman was offered the chance to buy the unlisted scaffolding company Form Scaff.

He took it and quickly made it profitable. In order to list Form-Scaff he made a bid for International Fasteners, number two player in nuts and bolts after National Bolt.

The fastener market virtually died shortly after this and Anglovaal agreed to sell an ailing Natbolt to IFM As the separate article on Natbolt makes clear that too became extremely profitable.

Then there was the bid for W & A at R112 million. It all looked super until the stock market crash Then everyone said how clever vendor Mannie Simchowitz had been selling out to the kid virtually the day before the crash — and waited for the demise of Jeff Liebesman. They are still waiting, while FSI goes from strength to strength

Mr Liebesman was not as wide eyed as many believed Mr Simchowitz was not a forced seller and, notwithstanding the crash, would not have sold for less than the nine times earnings that FSI paid for control.



Earnings growth in W & A will probably be of the order of 30%, so the forward PE will probably end up a good deal lower

Mr Liebesman describes his strategy after obtaining control of W & A.

"We examined the group closely There were a number of good operations but as you can see from a 'before' diagram, the structure was pretty confused.

"We identified some strength in retail or near-retail. There was World, Bradlows and W & A Services They were good but they needed bolstering, so we set up Home Makers and persuaded a bunch of outstanding entrepreneurs to throw in their lot with us.

Dominant

"So in came Fabric Library with Hilton Novitz and Housewares with Melvyn Gutkin and their entrepreneurial management That established a dominant presence in fabrics and housewares

"We then persuaded David Sussman to bring Joshua Doore into Home Makers, as an ally to World and Bradlows, thus creating a major force in furniture"

The result is a dominant, well-managed furniture and fabrics grouping capable of making R16,7-million for W & A.

"We had a close look at the industrial operations In W & A we had Hunts which held General Tyre, Tarry's and Aurochs. Hunts was controlled by Anglo African Finance, a London-listed company which passed the Hunts dividend back to W & A. Other industrial operations were Burhose and Hygiena.

"In our restructure, we made Hunts the industrial-holding company for SA interests. We moved National Bolt, Burhose and Hygiena into that company alongside General Tyre, Tarry's and Aurochs Anglo African Finance is our off-shore holding company with £25-million cash plus Beatson Clarke.

"In essence we did what we had previously done in Form-Scaff, National Bolts and in the electrical wholesale side before handing that over to our partners, the Mosskowsy brothers at Elcentre.

"The FSI idea is to defragment industries and to focus companies into dominant entities, to parlay assets into more powerful growth units, to collaborate with proven entrepreneurs

"We push turnover, reduce costs and squeeze the assets We did in with IFM and National Bolts and in the electrical wholesale business before putting all that in Elcentre.

Strategy

"The final strategy is to push exports where ever possible. And we also like to invest off-shore to help our exports along"

The most visible foreign company so far is LSE-listed Anglo African Finance but its contribution to the FSI bottom line is only R7-million Mr Liebesman says more than 40% of group earnings already come from off shore. The identity of foreign assets has to remain a secret.

The 40% slice represented by foreign earnings is quite sobering, considering that there are such sizeable local contributors such as General Tyre (expected to contribute at least R15,9-million to Hunts' bottom line), National Bolt (R12,2-million), Burhose and Hygiena (R12-million) That in W & A Home Makers is expected to add R16,7 million to the bottom line.

Mr Liebesman says: "We have a clear focus. Worldwide we concentrate on basic industries We make and sell goods that businesses and consumers need today and will need tomorrow We make scaffolding, tyres, fasteners, auto parts, hosiery, portable accommodation, textiles, coal, vehicles, electrical goods, furniture, building products, small tools and machinery We hire out tools equipment and portable offices"

Plague

FSI believes in a flat corporate structure with maximum autonomy to each company Each managing director is given an ambitious growth target, a big personal stake in achieving it — and left to get on with it. There is no inter group lending, no industrial relations, remuneration or car policy

The company avoids bureaucracy like the plague, in fact it got rid of the entire head office of Gentyre to concentrate on production and marketing

Mr Rolfe says. "If anyone does not add value to the product he shouldn t be working for us"

FSI s head office comprises five people and that incorporates the W & A head office as well. Mr Liebesman does not want his chief executives aspiring to head office, as they might in some of the other conglomerates in SA. Of such misplaced dreams are destructive corporate politics made.

The table shows one analyst's estimates for the FSI group's earnings in 1989 His calculations are based on full dilution, so should be conservative He thinks Hunts will make R49,6-million, of which R32,1-million will be attributable to W & A. He expects W & A to make R59,4-million, of which R30,8-million will be attributable to FSI. He forecasts R46,8-million for FSI.

If he is right, the PE on the rights issue in Hunts was 4,6, in W & A 4,3 and in FSI 6,1 — suggesting quite a lot of upside.

AT THE HELM Jeff Liebesman and one of his right-hand men, Terry Rolfe

WHERE THE EARNINGS COME FROM

HUNTS

Pre-tax Profit (Rm)		Earnings attrib to Hunts (Rm, 1989 est)
50	Gentyre	15 9
14	Tarry	8 4
3	Aurochs	1 1
25	Natbolt	12 2
22	Burhose-Hygiena	12 0
114	TOTAL	49 6

W & A

	Earnings attrib to Hunts (Rm, 1989 est)
From Hunts	32 1
Sundry	1 0
Conv Debs	14 0
Home Makers	16 7
MacPhail	1 0
AAF	7 0
Less interest	(12 4)
TOTAL	59 42

FSI

	Earnings attrib to FSI
From W & A	30 8
Form Scaff	10 0
International	18 2
Interest out	(9 0)
Add depreciation	(3 2)
TOTAL	46 8

 180

THE TOP 100 — ONE YEAR

THE ONE YEAR PERFORMANCE TABLE

	COMPANY	Yield to holders (%)
1	Union Steel	107,3
2	Autopage	83,5
3	Garlick	75,0
4	CMI	73,8
5	Samancor	51,9
6	Harwill	50,0
7	Abercom	42,9
8	AT Coll	43,6
9	Willem Barendsz	40,2
10	Sea Products SWA	37,2
11	Rembrandt Group	30,8
12	Witwatersrand Collieries	29,0
13	Matheson & Ashley	27,6
14	Gold Fields Coal	26,7
15	Yorkcor	26,6
16	Picardi Properties	24,6
17	Palabora Mining	22,6
18	Oceana Fishing	22,3
19	Liberty	21,4
20	Plate Glass	20,5
21	Cadbury Schweppes	18,2
22.	Beares	15,3
23	Associated Manganese	15,2
24	SWA Fishing	15,1
25	South Atlantic	14,1
26	Anglo American Coal	13,7
27	Bonuskor	12,5
28	Uniserv	12,0
29	Gubb & Inggs	11,8
30	Penny Pinchers	10,1
31	Consol	9,5
32	Metal Box	7,2
33	Adonis	6,6
34	Highveld Steel	6,4
35	Afex SA	6,0
36	Trencor	6,0
37	Union Cold Storage	5,9
38	Murray & Roberts	4,0
39.	Delta	3,8
40	Crookes	3,8
41	Vereeniging Refractories	3,8
42.	Oceana	1,8
43	Press Supplies	nil
44	Metje and Ziegler	-0,5
45	SA Eagle	-1,0
46	I&J	-1,1
47	Masonite	-1,8
48	Natal Ocean Trawling	-2,2
49	CG Smith Food	-2,4
50	Gypsum Industries	-2,4
51	Arwa	-2,4
52	Waltons	-2,4
53	Commercial Union	-2,5
54	Frencorp	-2,6
55	Nampak	-2,9
56	Sun Packaging	-3,0
57	Sappi	-3,2
58	Ind & Comm Holdings	-3,4
59	Curries	-3,7
60	Mutual & Federal	-3,8
61	Da Gama	-3,8
62	NBS Holdings	-4,3
63	Ensign	-4,3
64	Tiger Oats	-4,4
65	Group Five	-4,5
66	Globe	-4,8
67	Barprop	-5,3
68	Witwatersrand Deep	-5,4
69	Tollgate	-6,3
70	Protea Assurance	-6,5
71	Robor Industrial Holdings	-6,6
72	Ninian & Lester	-6,7
73	Boymans	-7,0
74	Pepkor	-7,0
75	Haggie	-7,3
76	Associated Ore	-7,4
77	Veka	-7,7
78	Africom	-7,7
79	CNA Gallo	-7,8
80	Midas	-7,8
81	Sun Bop	-8,4
82	Porter Holdings	-8,5
83	Debonair	-8,5
84	Metal Closures	-8,6
85	Caxton	-8,8
86	Rooiberg	-8,8
87	Tongaat	-9,2
88	Kudu	-9,3
89	Turner & Newall	-9,4
90	Gefco	-9,5
91	Tomkor	-9,7
92	Sable	-9,8
93	Anglovaal Industries	-10,0
94	Unihold	-10,2
95	Pick 'n Pay	-10,6
96	Wooltru	-10,8
97	Witwatersrand GM	-10,9
98	Suncrush	-11,2
99	Storeco	-11,2
100	Coates	-12,1

AFTER the rout the one-year performance table shows that only 42 companies gave shareholders a positive return in the year to September. Union Steel, best performer during the year, can thank top company National Bolts to some extent. It reduced debt by R14-million by selling its stake in Natbolt It also returned to profitability after losing R19,5-million and R4,5-million in 1985 and 1986 respectively

Step-by-step — how our rankings work

BUSINESS TIMES ranks its top companies by the measure that matters — how they have done over five years for shareholders.

We took the share price on September 30 1988 and from that deducted the share price five years earlier, to arrive at a capital gain.

To that amount we added income on the shares — all dividends paid, plus 12% pa of interest on those dividends

□□□

We added income to the capital gain to arrive at an all-in cash return to shareholders This return was related to the original investment and an average annual compound yield to shareholders calculated The rankings are based on that average annual compound yield

The beauty of the system is that it makes comparisons between all types of shares possible And the yields can be fairly compared to fixed interest returns

More than 80 companies gave a return of more than 16% pa — roughly today's long term gilt rate — over the five year period Last year every company in the top 100 did, indicating the damage done to returns by last October's crash

A possible objection to the method is that some shares trade so infrequently or in such small volumes that their prices are not truly market prices. It would be possible to manipulate the share prices of such companies

For this reason, we exclude companies whose shares trade in inadequate volumes. Sadly it meant leaving out some fine performing companies, such as Caxton. Once it led to the omission of Times Media.

To avoid double counting, we also exclude pyramid companies. We also leave out investment trusts, whose portfolios seldom change, cash shells and mining exploration companies

□□□

In the past we have omitted companies whose nature has changed radically but this year we have included Malbak and FSI for reasons explained within.

These days outstanding stock exchange performance is being achieved more and more by acquisition and, for better or worse, operations increasingly are taken for granted — hence inclusion of these companies from now on

Business Times pioneered measuring company performance by all in cash returns for shareholders Before 1984, our rankings were based on earnings growth over five years But we moved away from that because differing accounting conventions forced us to exclude banks, insurance, property, sugar and mining companies.

Lately, earnings calculations have become even more varied, with some companies making inflation adjustments and others not. The situation is so confused that an institution of the stature of Liberty Life no longer uses price earnings multiples in measuring value

This year many companies, such as Barlows, adopted the partial method of accounting for deferred tax, adding millions to stated earnings.

Needless to say, we have few regrets about our change of five years ago.

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The method we use for measuring performance is the method institutions use to calculate their returns. Fortune magazine also uses it.

We were gratified that the University of Cape Town Graduate School of Business used our rankings as a filter in its search for excellent SA companies The companies that it named coincided quite closely with ours

The nuts and bolts of a success story

S/Times 180

NATIONAL BOLTS is making piles of money again — but nut, bolt and rivet volumes are still down 40% on 1981.

Last year a company that Jeff Liebesman reckons was nearly bust when he bought it in 1984 made R18-million before and after tax.

This year the target is R25-million before tax — and half those profits will come from sources other than the group's bread and butter, nuts and bolts

"The market is still over-supplied and very competitive," says chairman Terry Rolfe

"But when gross domestic fixed investment starts growing again, the way it did in 1981, money will flow out of nuts and bolts as if it were coming out of a six inch pipe under high pressure It'll be an avalanche"

Mr Rolfe maintains that if GDFI rises to 5%, bolt volumes will rise by 40% and profits even more spectacularly

But if that key economic indicator falls by 1%, local volumes will fall further He is hoping that the Mossel Bay and Lesotho

By DAVID CARTE

Highlands projects and the present mass housing drive could be the start of a decent run in GDFI

"Jeff acquired these assets cheaply We set about improving and using existing assets and expanding market horizons and we've used the asset base to raise money and get into other areas

"We improved efficiency by closing factories, upgrading staff, increasing output per employee and reducing the number of product lines in nuts and bolts We have attempted to reduce over-capacity in the industry by rationalisation

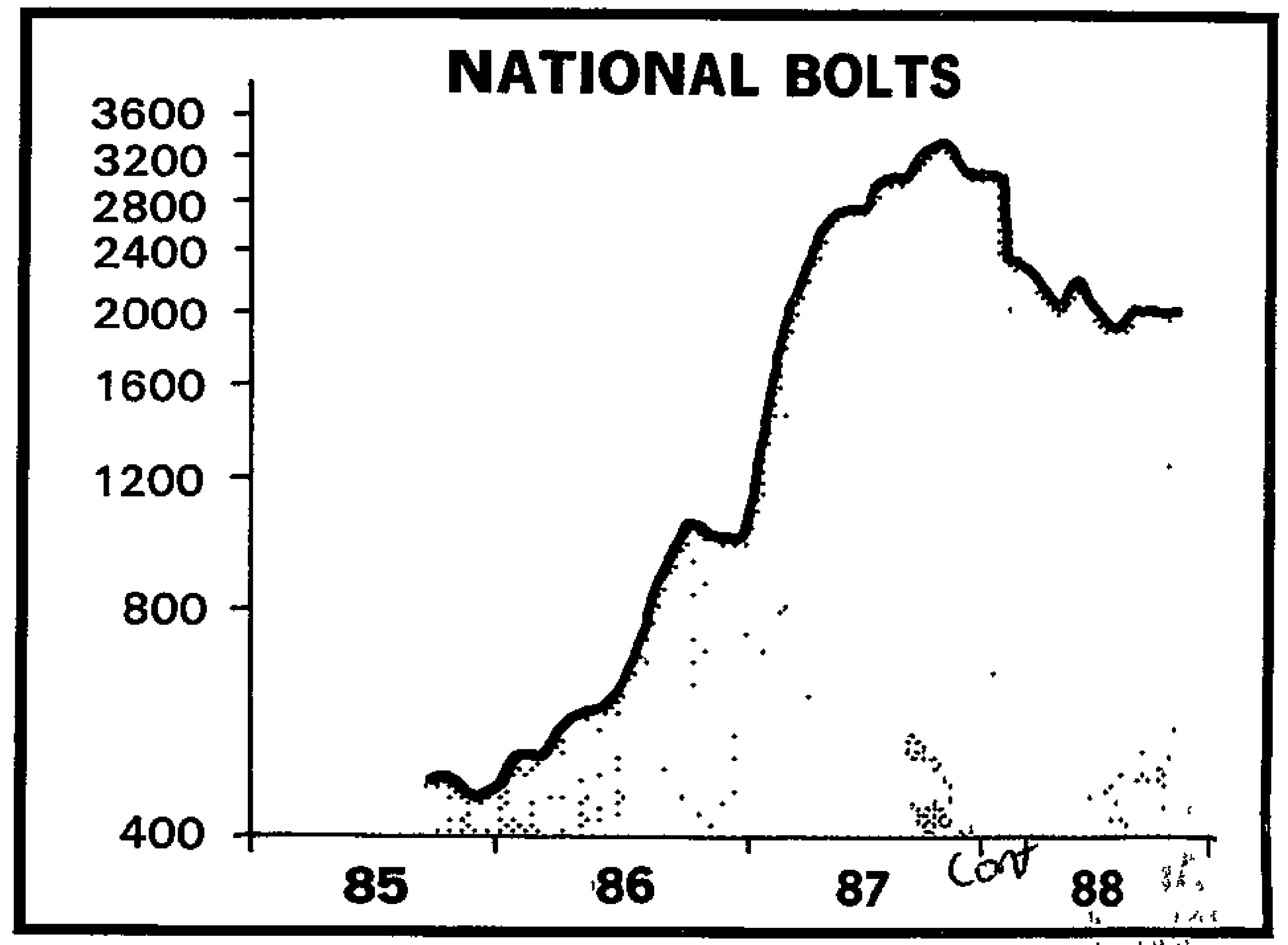
Overheads

"In trying to use assets better, we have tried to change perceptions and to move from nuts and bolts to more sophisticated, better-margin fastening systems

"We have emphasised distribution and have expanded into new areas, acquiring good people as we have done so"

Natbolt has concentrated on cutting its overheads and staff to meet reduced volumes — and it has diversified its profit sources The labour force at the main factory has been trimmed from 2 200 to 800

An important reason for its recent success is that it has not sat around waiting for the local market to improve It has exported aggressively "The soft rand



national distribution network for all these products

Subsidiaries make nickel cadmium batteries, multi-plugs and adaptors, three-pin plugs, power charges, power support systems, pipe couplings, lighting generators for the mines, blasting barri-

ly at Sage Schachat, the property company, took over as managing director in June this year He has been given a free hand to run the company

pany he built up from scratch, after selling to National Bolts

Mr Rolfe describes the future "In the 1990s we will get technology and money and continue to attract the right people We want to has made exports lucrative and it has curbed dumping of nuts and bolts

National Bolt makes numerous different types of fasteners apart from nuts and bolts It makes screws, roofing fasteners, auto parts, rivets, hose clamps and electrical terminals It has a

bers

The diagram shows the new-look diversified National Bolts

National Bolts also has a 35% investment in Elcentre, the high growth electrical wholesaling company run by the Mowszowski brothers

Allan Schlesinger, former-

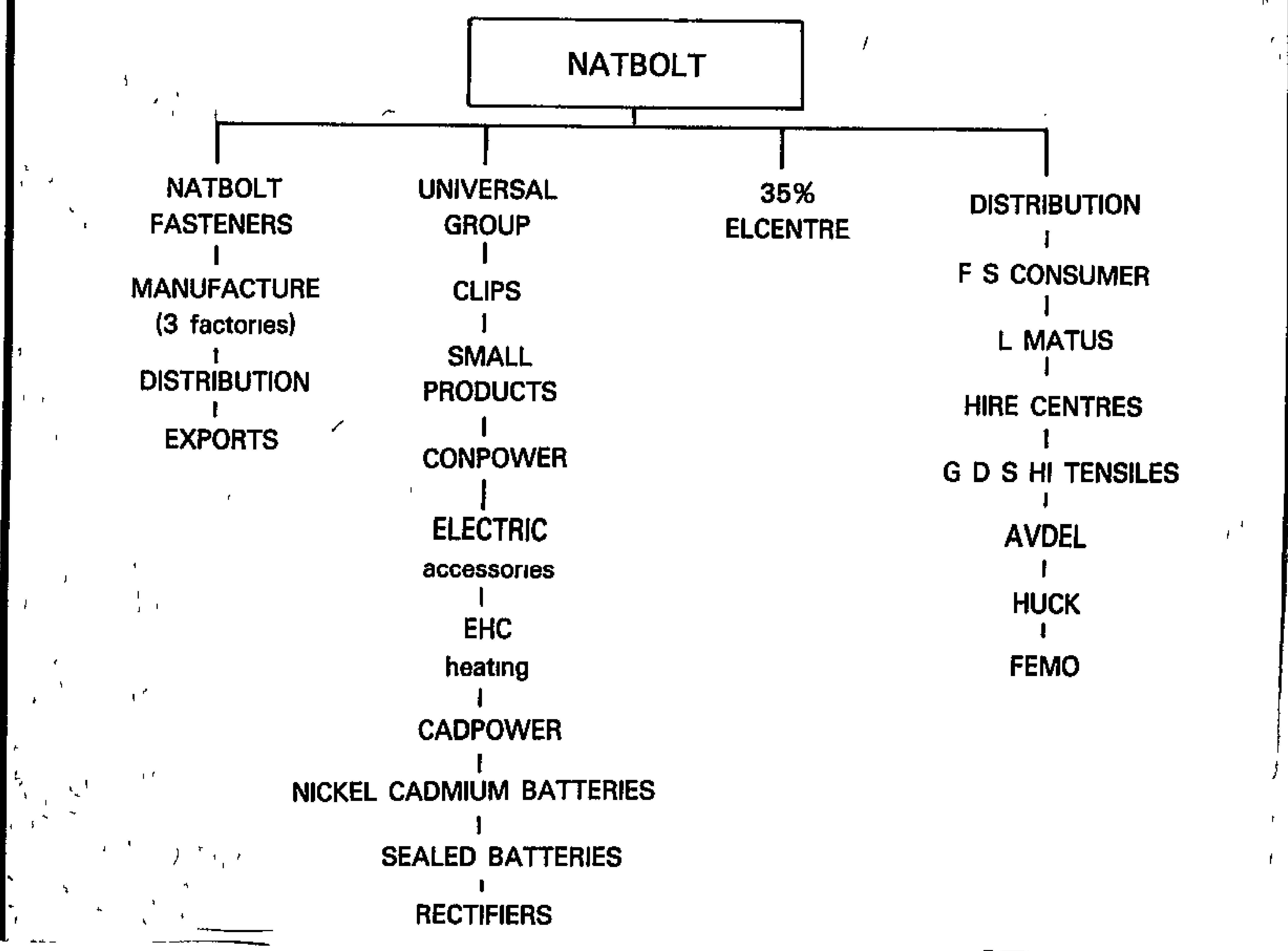
in FSI style, he has a small head office of only three men to oversee all the diverse operations

Mr Schlesinger was preceded by Jossie Marcus, who died in the Helderberg air disaster Terry Rolfe was MD before that He moved over from Universal Clips, a com-

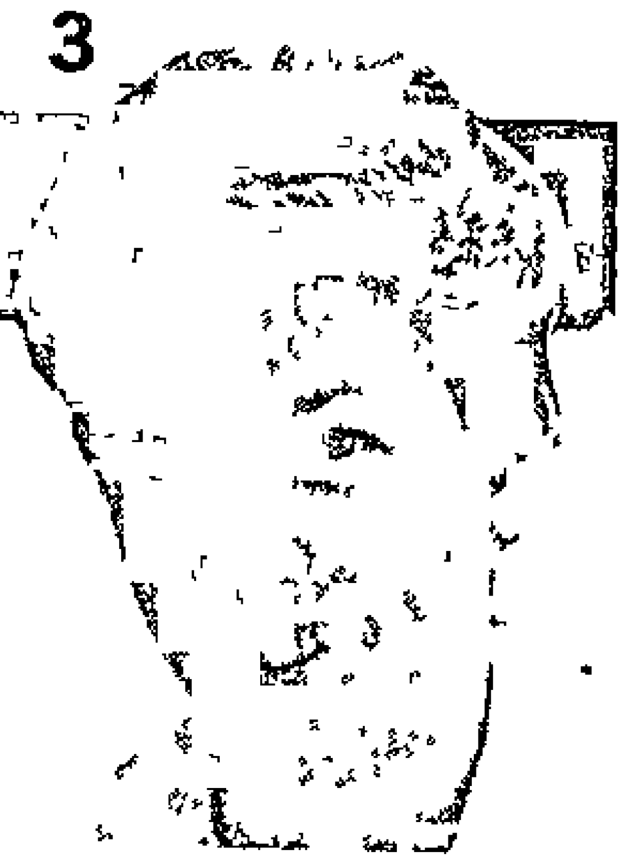
Fasteners have made a declining percentage of earnings but we are confident that great big pipe of money will be pumping again in the future"

National Bolt is only a small part of the FSI group, which came 8th in the rankings and is profiled elsewhere in this survey

HOW THE COMPANY IS STRUCTURED



by JULIE WALKER



Sasfin gets over a bad start

180 S/Times 4/12/88

SASFIN is to move to the banks & financial services sector of the JSE tomorrow after more than a year on the Development Capital Market

The trade and equipment finance group chose the worst possible time to make its debut — "Our prospectus hit the desks of fund managers the day after the crash began," says managing director Roland Sassoon

Sasfin issued 3-million shares at 60c each to raise working capital, and was listed on November 11 last year It has traded at a discount for much of its short JSE life, but the price rallied from a low of 40c in October this year to 60c last month, and is currently 55c

SMOKESCREEN

"We provide finance for every asset and facet of business," says Mr Sassoon. The four major areas of interest are confirming, factoring, instalment finance and export shipping

Being one of only four listed companies which do confirming, Sasfin operates out of a London subsidiary which is registered in another country Mr Sassoon says. "The smokescreen to hide SA connections is necessary in today's environment where the threat is always present"

SA importers need to furnish letters of credit or another guarantee to their foreign suppliers before the orders will be accepted Sasfin's London subsidiary opens letters of credit. Payment is usually made 120 days after the goods have been shipped

A bank's letter of credit would mean that the importer's credit facility is earmarked for the full cost on the day the order is placed, thus limiting his operating capacity.

Sasfin raises the finance from banks, and Mr Sassoon says the higher profile achieved as a public company has helped it to borrow at lower rates of interest than before He hopes the trend will continue with Sasfin's graduation to the main board.

Sasfin also provides service in forward exchange cover, marine insurance, documentation and booking of shipping space. It offers a similar guarantee service for domestic transactions.

Factoring is about buying debt at a discount It is a cash-flow service, freeing the assets that debtors represent. Instead of waiting for up to 180 days to receive settlement for an account, a company will discount those debtors

It will receive up to 80% immediately, and the balance when the accounts are settled Sasfin earns income from a percentage discounting fee

"We offer completely confidential invoice discounting, which is a unique form of factoring," says Mr Sassoon.

Mr Sassoon believes that the rand has depreciated far enough to allow SA's manufactured goods to be competitive in the export market.

"We discount export orders before delivery If a manufacturer gets a R1-million export order he may need finance to augment working capital in order to make the goods.

MARGIN

"We supply it, and will pay him for the whole order before it is even shipped We can also grant credit to the foreign importer Obviously there is a margin in it for us — it is our business"

Instalment finance can be done either through leasing, credit or operating rental. "The benefit to the client is that he pays on a deferred basis for his equipment We tailor a tax- and cost-effective agreement to suit his needs"

Mr Sassoon says his staff to customer ratio is far higher than a bank's, and that Sasfin is able to offer a more personal service which smaller clients often believe they do not get from banks The group employs 55.

Industry norms on gearing are enough to blow the minds of conventional accountants, but the industry definition is total debts including contingent liabilities less cash divided by shareholders' interests including preference shares

Sasfin's is a modest 1,6, the industry norm is 8 and Mr Sassoon estimates the gearing of the average bank to be 20

"We are undergeared because we are still growing, and because we had use of the cash from the rights issue As our business grows, so will our gearing"

"Finance is all swings and roundabouts When interest rates rise, instalment finance business declines, but growth in offshore financing-related business is stimulated"

APPEAL

The Reserve Bank took steps this week to encourage the use of foreign trade credits by cutting the cost of forward exchange rate cover

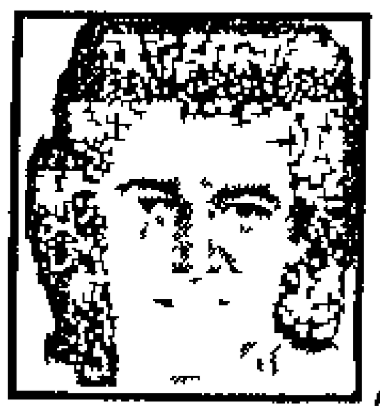
About 50% of Sasfin's income is earned in sterling, giving the shares rand-hedge appeal On an historic PE ratio of only 4,5, times shares at the current 50c have little downside, particularly in the light of poor tradeability

New Bernica takes the cash shell route

Star 8/12/88 180/

Diagonal Street

ANN CROTTY



When New Bernica issued a cautionary statement recently, few in the market thought it would lead to what seems to be the liquidation of the company's assets But today the board has announced that New Bernica is to sell off most of its assets and become a cash shell with R30 million in cash and no liabilities.

The move could see millions of shares in Joshua Doore, Clinic and Columbia Consultants come onto the market.

At this stage, it seems that the shareholders, chief of whom is Lifegro with 42 percent, will be offered a mixture of cash and shares in the group's listed investments in proportion to their holding in New Bernica

According to the directors: "The interests of its shareholders will best be served by the company disposing of its unlisted assets and certain listed assets for cash and distributing the remaining listed assets to its shareholders, in specie, by way of a reduction of the share premium account."

They say. "New Bernica shareholders will then be able to retain the listed investments or dispose of them, as best suits their individual circumstances"

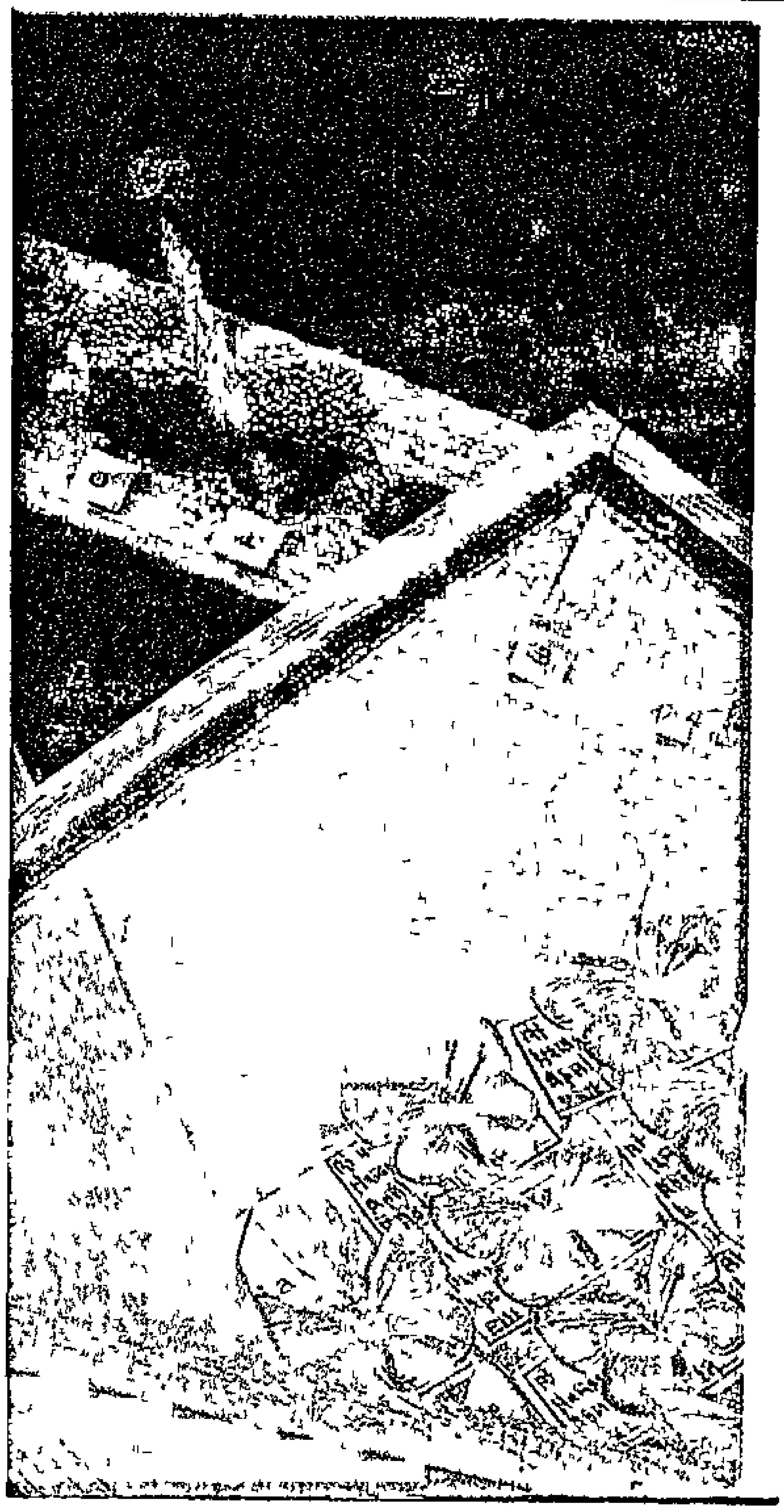
As at the end of June the group's major investments included about seven million shares in Clinic Holdings, about 13,4 million shares in Joshua Doore, about 4,6 million Columbia Consultants shares, 35,4 percent of Mercedes Holdings (which owns 74 percent of Mercedes Information Technology), 20 percent of Chipkins, 22,5 percent of Mercantile Securities and a number of wholly owned subsidiaries.

Sale of the Chipkin stake, for R5,5 million, was announced in early October.

According to the directors, the current price of New Bernica shares (440c) represents a 13 percent discount to its net asset value.

This indicates NAV of around 500c and compares to a NAV of 545c at end-June, based on market valuations and directors' valuations.

Sufficient of the investments will be sold to leave New Bernica with R30 million cash and no liabilities. This cash and the remaining investments will be distributed among shareholders, which means that for each New Bernica share held, shareholders will receive 200c in cash and a parcel of listed shares.



INVESTMENTS

It is likely that the investments that will be sold include Mercedes Holding, with Sankorp being a possible buyer. In April, Sankorp bought 26 percent of MIT for R30 million

STAKE

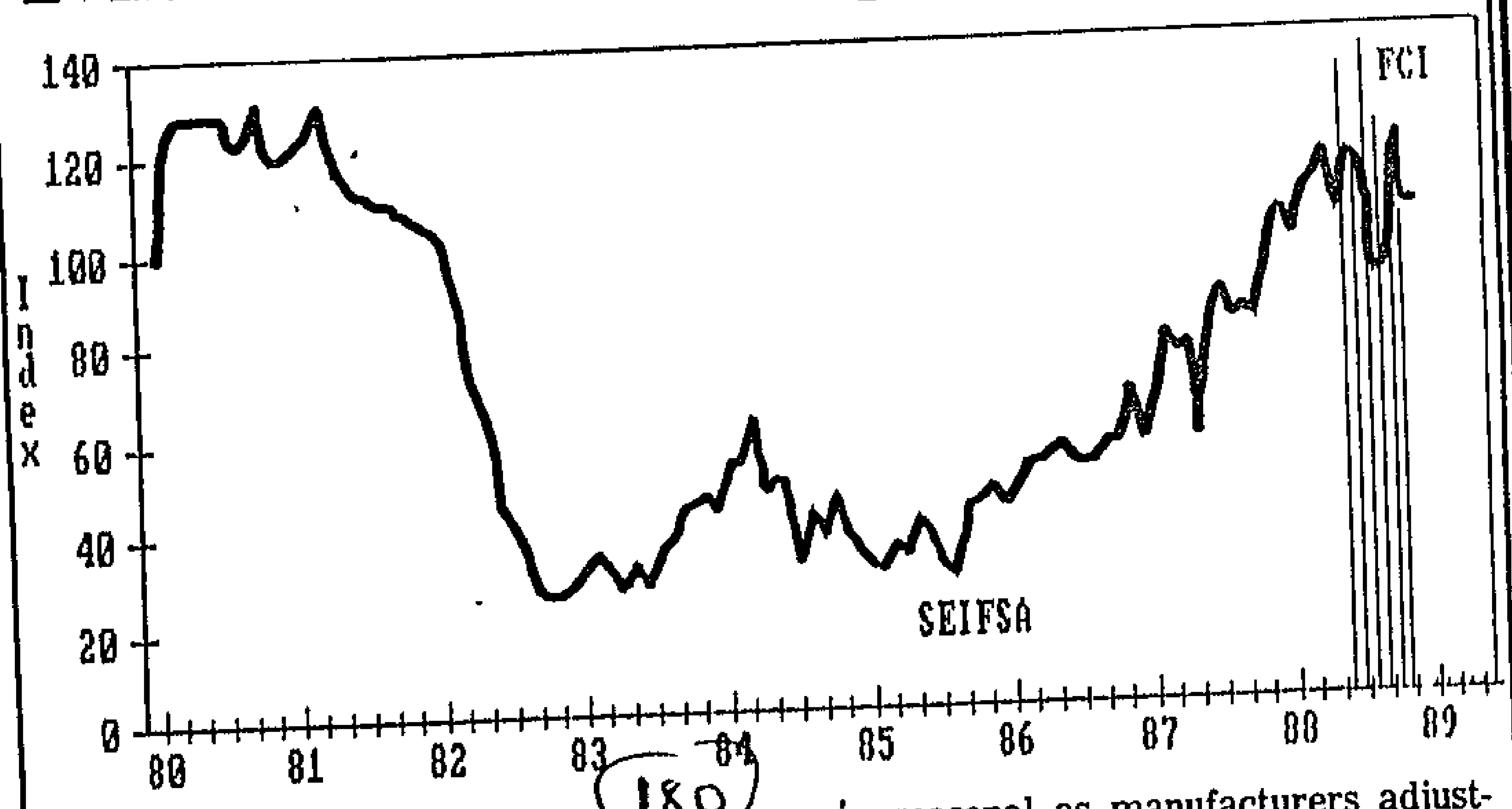
The stake in Mercantile Securities as well as New Bernica's wholly owned subsidiaries are also likely to be put up for sale.

So at this stage it seems that for every 100 New Bernica shares held, shareholders may receive R200 in cash, 50 Clinic shares (currently 200c a share), almost 100 Joshua Doore shares (47c a share) and about 33 Columbia shares (200c a share).

VALUE

The 100 New Bernicas have a market value, at yesterday's close of R440, compared with the combined valuation of the other assets of around R413.

Manufacturing buoyant



180

By Sven Forssman

The current upswing would take considerable time and effort to brake because of buoyant conditions in the manufacturing sector, the Federated Chamber of Industries (FCI) said in its industrial opinion survey, launched in Johannesburg yesterday.

FCI, with the assistance of its regional chambers, recently launched a survey among members on a nationwide basis to gauge industry's views on both current and future economic conditions

The survey said the vivid activity in the manufacturing sector was occurring despite rising interest rates, surcharges and the lower rand exchange rate

Manufacturing activity in November showed that both sales and production volumes were buoyant.

Orders received in November were lower than those of October, but this was seasonal as manufacturers adjusted to the coming holiday period, the survey said. Star 8/12/88.

Economists are predicting marginal declines in economic activity in 1989, but industrialists canvassed by the survey — 400 of them — were optimistic about their expected sales volumes for the next 12 months.

Pietermaritzburg was the most optimistic town in terms of sales volumes and orders received in October, with an index of 180

Port Elizabeth was the lowest, with a figure of almost 110.

The survey used a base of 100 Anything over that figure was regarded as optimistic and results below it as pessimistic.

The results were similar to recent figures released by Central Statistical Services.

Step up nightshifts — Safto

W/c ARGUS 10/12/88 (180)

By TOM HOOD
Business Editor

CAPE manufacturers are being urged to work extra shifts to use idle plant in their factories and export the additional output.

A campaign by the SA Foreign Trade Organisation (Safto) is gradually being adopted by a number of industrialists elsewhere, said general manager Anne Moore, who visited Cape Town this week

Many exporters have warned that soaring inflation in South Africa has offset the advantage of the rand's low exchange rate and that they are being priced out of overseas markets

But Safto believes the inflation factor could be countered by reducing unit costs through shift working in facttories

"This year's export award winners, Firestone, were able to build up their exports because they were running multiple shifts, including weekend shifts Without it they would not be able to make their exports pay," she said

Major obstacles were travel problems for staff, training additional labour and stretching management.

"Those additional shifts have to be managed and it is not easy," she said

Some companies have given up in the face of these difficulties but a number in several industries have coped successfully and expect to see increased profits from exports

"You must take the interest of employees to heart If you are able to improve their take-home pay, they will usually go along with shift working," said Mrs Moore

"You cannot compensate people entirely in terms of pay so they must be given other privileges"

Additional leave benefits, flexible shift rotations and promotion opportunities must be spelt out clearly

Some companies got round travel problems by providing transport — and the employees benefited by not having to pay to get to work

Full support was needed from trade unions to ensure that they saw this as a progressive way of creating more employment.

"We will be holding seminars and talking to interested groups next year," added Mrs Moore "We will be working with anyone who feels this is worthwhile to promote"

Safto's chief executive, Mr Wim Holtes, said too many exporters were shooting themselves in the foot

"Several hundred export traders and their thousands of associates abroad are experiencing frustration because South African producers are not supplying foreign market requirements now that the domestic market has improved," he said

Stop-go exporting of some South African producers could be far more damaging than export losses through sanctions, he said

(See Page 3)

W/c ARGUS 10/12/88

'Step up nightshifts'

(From Page 1) 180

"There is puzzled criticism from abroad that in some product areas South Africa is actually reneging on its export commitments because production is being diverted to the home market

~~Several~~ public companies have openly admitted this, either apparently proud of the fact or endeavouring to pacify impatient local customers"

He said many excuses were given why South African companies in general were not more export dedicated

These issues ranged from politics to exchange rate fluctuations, from distance from world markets and transport costs to sanctions and boycott threats

However, many highly successful South African companies had overcome all those arguments against exports and were today referred in stock exchange terms as an "export hedge", meaning they were perceived to have a cushion against local market vicissitudes

In many manufacturing industries a huge increase in exports could be achieved by establishing export-dedicated production through a second or third shift — and at the same time provide many more jobs

"It may take up to two years to get the full support of staff and to reduce overhead costs to desirable levels," said Mr Holtes

"But after that substantial rewards were enjoyed in the form of increased volumes and margins" shoulders with all SA's top business names

Nedfin poised for more growth

Star 10/12/88

FINANCE STAFF

HAVING more then trebled its taxed profits in the year to September, Nedfin is poised for further growth

Writing in the annual review, chairman Gerry Muller says in the past year Nedfin introduced a number of innovative financial packages for the corporate market in response to demand for the financing of capital goods, such as plant and machinery, construction and medical equipment.

MD Ron Rundle says the amount of new credit approved in the year rose by 44 percent

Nedfin's aggressive moves to capitalise on these and other fast-growing markets can be seen from its results.

Its total assets at September amounted to R1 614 million, an increase of R372 million over the previous year Asset quality showed a marked improvement The bank experienced a lower level of bad debt than in 1987

Taxed profit climbed to R9,5 million from the R3 million in the 1987 financial year

The directors say "The professional market division has introduced a new range of products aimed at the professional sector — in particular the medical, dental, legal and accounting professions We have increased significantly the number of finance consultants who are fully dedicated to this market.

A transport and fleet division has been established to give Nedfin a significant market share in the fleet financing market

"We are particularly excited about the opportunities which SA's rapidly growing transport sector provides by way of vehicle and fleet financing

"Nedfin is now able to offer its clients a complete range of services, from full maintenance leasing (for trucks or cars) to fleet management systems for corporate fleet owners, as well as transport consultancy services and a variety of financial options, such as lease, instalment sale or rental," they say

(180)

19/12/88

Sankorp: an awesome player in the industrial game

Star 10/12/88

(180)

ANN CROTTY

IN 1985 (the first year of its existence) Sankorp broke even. In 1986 it turned in a profit of R160 million, which increased to R276 million in 1987.

For the current year, equity-accounted earnings are expected to be R500 to R550 million

The two most important factors about these figures are their low base and, more importantly, the very strong upward trend

The latter suggests the profit performance in any of the last three years was not a flash in the pan

If Sankorp makes the R500 million mark this year, it will be showing a return of 25 percent on the book value of its investments, currently R2 billion and spread across a diversified portfolio

It used to be the case that the major reason for taking Sankorp seriously was its size and the even greater size and power of its parent, Sanlam

These figures should help produce a significant change in market perceptions.

The general feeling has been that the Sankorp stable was too diversified and contained too many (euphemistically termed) recovery stocks ever to be taken seriously as a dynamic and profitable industrial conglomerate

In the four years of its existence the group has had some major casualties on its hands, including Sentrachem, Fedvolks, Murray & Roberts, Tradegro and Nissan

But, although there is room for further improvement in Tradegro and to a lesser extent Fedvolks, Sankorp's investments are now up and running

With regard to Nissan, Sankorp chief executive Marinus Daling says the company's performance has not disappointed him, but the motor industry's performance has At this stage he is very happy with Sankorp's return on this 1985 acquisition

Fedvolks has been trimmed back significantly in the past few years and has recovered from an earnings loss of 137c a share in 1985 to a profit of 35c (on a considerably increased share base) for the six months to September

In 1986 Sankorp underwrote a Fedvolks rights issue pitched at 130c a share

The shares are standing at 350c after a R100 million rights issue pitched at 300c Given the poor outlook for consumer spending there are some reservations about the scope for further improvement in the share price in the short term

But longer-term the share must be on a stronger trend.

The major question in the Sankorp portfolio hangs over Tradegro Although Mr Daling says he is happy with the group's recovery from a loss of 37c a share in 1985 to earnings of 28c in financial 1988, the market remains sceptical about the quality and prospects for continued recovery

Main concern appears to centre around Checkers which, in the absence of any significant improvement in margins, is a large enough part of the group to hold back any meaningful profit progress.

Referring to Sankorp's four-year profit trend, Mr Daling says the strong upward trend (only partly helped by more recent acquisitions) reflects the fact that Sankorp has invested in recovery situations

He is confident there will be continued improvement in overall margins

Investing in a recovery stock involves an above average risk, which reflects the considerable danger that the stock will not recover.

Recovery demands quality management attention

On the positive side, a recovery stock can be bought relatively cheaply, which means that in the event of recovery, the initial investment (including carrying costs) can be paid off quite quickly

Any income after that is pure profit for Sankorp, which has minimal overheads to cover

The 25 percent return on investment in sight for 1988 in part reflects the (with hindsight) bargain prices at which Sanlam bought many of the investments.

One of the extreme examples of the enormous profits Sankorp stands to make on its recovery stocks is presented by Tradegro The initial investment of R46 million, made in 1984, gave Sankorp 49 percent of Tradegro's holding company, Sanki

Marinus Daling . . invested in recovery situations

A rescue operation the year after, involving a major rights issue, lifted Sankorp's investment to R140 million and its stake to 100 percent of Sanki.

About R75 million of this is invested in debentures and earning an attractive 13 percent If Tradegro achieves full recovery and moves in to strong profit mode, Sankorp should quickly recoup its investment, including the carrying costs

Reason for the establishment of Sankorp lies in Sanlam's investment strategy. Unlike other insurance giants, it involved taking a strategic interest in a number of their investments After an aggressive acquisition trail in 1984 (including taking 49 percent of Sanki, joint control of Murray & Roberts, a controlling stake in Malbak via acquisition of Protea and control of Messina), it was decided that a separate body was needed to run Sanlam's strategic interests

Sankorp was established to do just this These were the companies in which Sanlam had at least a 50 percent stake or in which it was a large minority shareholder or in which Sanlam had a pre-emptive right on the controlling shareholders

Apart from the 1984 acqusitions, Sankorp housed Sentrachem, Fedvolks, Gencor, Bankorp, Santam Insurance and Metropolitan.

In addition, it had significant minority stakes in Plessey, Unitrans, Siemens and Conshu

The diversity of its portfolio in terms of industry, corporate culture, people and mangement styles has been one of the market's major concerns

The fear is that the portfolio is too widely spread to be efficiently controlled

The Sankorp team, which comprises a mere ten executives, does not see this diversity as a problem and is keen to encourage it

The industry spread is encouraged in order to ensure that the various sectors of the economy are represented in Sankorp's portfolio

The fact that diversity on other fronts prevails reflects Sankorp's management style, which accepts the benefits of diversity and does not attempt to control the investments from the head office

Sankorp sees its main role as one of guiding and motivating.

It is represented on all the holding companies within its stable and in that capacity is able to ensure that the right teams are in control, that the critical factors are adequately monitored and also that budgets and other operating targets are achieved

The success of this strategy is reflected in the spectacular improvements that have been reported by most of Sankorp's investments, of which Sentrachem's interim results to October are the most recent example

With one or two exceptions, most of the recoveries have been achieved without major changes in top management or major reductions in staff numbers

One of Sankorp's major tasks is to ensure that its enormity (total assets are R40 billion) does not stifle initiative at the operating level

This involves ensuring that the group is broken down into focused operating units.

It also means that Mr Daling's team must ensure that the operating companies and the individuals who run them are given the scope to do what they feel is necessary to achieve their targets

This includes the design of remuneration packages at the holding company level, without interference from the Sankorp head office

Mr Daling says the management disciplines that are imposed, initially at board level in conjunction with Sankorp, are strong He dismisses the notion that because of Sanlam's cash-rich situation, funds are relatively easily available to Sankorp's subsidiaries

He says individual company performances are judged according to return-on-investment criteria appropriate to the particular industry and to competitors and that demands for additional funding must meet strict criteria

But despite its considerable achievements to date, it may be a while before the market comes to see that apart from size, Sankorp is indeed an awesome industrial player by JULIE WALKER

'Good guy' M&M looks to film finance for profit

S Times 11/12/88 180

MONEY & Management Holdings (M&M) aims to make R3-million taxed profit in the year to March 1989 — most of it from financing films.

M&M is the new name of Retail Management Services, which was listed on the Development Capital Market of the JSE on November 4 last year — ill-timed, to say the least

Shop-fitting is the smallest of three divisions which now comprise M&M Chairman Gawie Yssel — he cut his teeth at Federale Volksbeleggings — is reluctant to disclose turnover, but estimates profits of R400 000 from shop design and fitting, office design, interior decorating, and a manufacturing company which makes pine furniture for export

PACKAGES

There are plans to make office furniture for the domestic market Mr Yssel says the big market players claim their order books are full for months to come — "so there is always room for a small one"

He says the division was established 25 years ago, and until recently did not promote itself But times change, and a marketing effort to broaden the client base is under way The division has 160 employees

Second is the property development division

"We are mainly in the white residential market, building cluster homes We buy land, service it if necessary, and build Every house is pre-sold, so we are not at risk if the market takes a knock"

M&M owns 50% of EC Construction and 100% of Durban's Ycon

"The companies do not depend on internal projects to keep going" He forecasts turnover of R20-million for the year to 1989 and profits of about R1-million

But most of M&M is the financial services division

"We do project finance packages for the property sector, have a quartet of insurance broking companies, and we are in to film finance," says Mr Yssel

ABUSE

Only this week Deputy Finance Minister Org Marais singled out the film industry for tax abuse He said that the fiscus had lost out on collecting R800-million through film finance schemes which gave tax breaks to investors

The schemes rely on on Section 11bis of the Income Tax Act, which Dr Marais said, would be phased out as soon as possible as part of the clean-up of tax laws

Mr Yssel is not alarmed, saying "We put together financial packages and take a fee The company is not at risk in any way As long as investors stick with film deals handled by reputable attorneys, auditors and production companies, there is no risk"

He welcomes the scrapping of Section 11bis — "as long as it is substituted by another form of assistance SA's film industry has come a long way Many of the abuses which were prevalent before February 1988 were cleared up after guidelines were laid down in Section 24F of the tax Act It has disciplined the film industry, it is much healthier now"

VILLAINS

Now there is an interesting thing everyone who is into film finance in SA says that the others are the baddies, the ones who give films a bad name, the ones who back low-quality films They each claim to be the good guys while casting the others as villains

"Films create jobs, and are potential high earners of foreign currency," says Mr Yssel

I think the Government wants to see some of that potential realised before it falls head over heels in love with film financiers

SPEARHEAD

Mr Yssel says that growth in the financial services division will be the spearhead of M&M's growth

There are 37-million ordinary M&M shares in issue, and R7,4-million was raised recently through the issue of R1 convertible preference shares The prefs carry a coupon worth 66% of Trust Bank's prime overdraft rate, and have been issued mainly to directors

A consortium of directors owns 45% of the company and Leisureco — a part of Brigadier Films — owns 27% There is a shareholders' agreement to retain control of 54% of the company between the two parties

Essentially, the interests of the consortium were reversed into the Retail Management Services listing, which constituted a change of control The preference share offer was 89% subscribed, the balance being taken up by underwriters

Income from the offer will be used to reduce debt, which stood at R14-million on September 30 A standby offer opened on Friday at 25c a share — the current market price is 30c, the prefs have not yet been traded

I believe that unproven management, the threat of retrospective or future tax changes and a crowded financial services scene put M&M shares beyond the acceptable risk of the average investor

... which performed a symphony concert yesterday as part of the FAK celebrations commemorating the Great Trek.

Businessman could sue Boksburg

180 By Lloyd Coutts

Star 12/12/88

A businessman with multi-million-rand interests in Boksburg is considering holding the town council liable for any damages he incurs as a result of its racial policies.

But the council is sticking to its guns, and after a special meeting of the council on Friday night, "maintained the status quo", according to management committee chairman Mr Gideon Fourie.

In a letter to the council, read at a special sitting of the council on Friday night, Mr Albert van Heerden of Merinda Enterprises said a deal in which he was to sell a factory worth R1,6 million had gone sour as a result of recent council decisions.

The multinationals Huck SA (US), Walon (France) and Uniroyal Chemicals (US), as well as the Post Office and Freightech (a member of the Barlow group), all of whom had leased factories from him, were threatening to withdraw from the town.

He had strong ties with these companies, and although he had since sold the complex of factories, they had contacted him to complain and had threatened to leave town.

Another company that leased premises from him, National Socket Screws, was also dissatisfied.

Mr van Heerden said in his letter that he was erecting a factory for the production of low-cost housing at a rate of 300 to 500 houses a month. Turnover of R40 million a month was expected from this company.

"I am afraid the factory for black housing will be severely affected. The houses are erected in all the black townships and if they know they are from Boksburg, they will not want to buy the houses," he said.

The letter included a copy of another to the MP for Boksburg, Mr J P I Blanche, in which Mr van Heerden asked the Government to bring an end to "the fiasco".

In another letter, Colgate-Palmolive managing director Mr G W Nocker said his company could no longer continue morally to fund the council's apartheid policies.

● See Page 6

PROPERTY

Argus 15/12/88

R25-m industrial village for city

180

By MAGGIE ROWLEY
Business Staff

A R25-million industrial village, believed to be the first of its kind in the Cape, is to be built on a 13 000 square metre site in Retreat

The project, which is to be developed in phases, is a joint venture of Syfrets' subsidiary, Saprofin and Quadex, a development company recently formed by Doug Harrowsmith, Dudley Powers and John Harding

The development is expected to provide a major boost to the southern suburbs by creating new job opportunties and stimulating growth in the area

Mr Harrowsmith said the village, which is aimed at a mix of cottage industry, techno-electronic industry and business activities such as service and distribution agencies, would be developed in two phases

Construction of the first phase which will occupy 5 000m² of the plot at 60 White Road near Retreat railway station and major arterial roads, and which is to be built at a cost of R5-million, will begin in January

The project will comprise units of 90m² and more are to be sold off plan, he said

Mr Harrowsmith said the development would offer a congenial environment of appealing buildings with individual identities and would be designed as a combination of offices, showrooms and storage space

"Research has shown a substantial need for this type of space in a good location in the southern suburbs

"Currently the greatest demand in industrial space across the country is for units of up to 500 square metres This is line with the dynamic growth of smaller businesses," he said

A portion of the site has been ceded to the council and will be developed as a recreational area A municipal car park joins the site

Mr Harrowsmith said further phases will push the development value of the project up to R25-million

When completed a section of the complex will consist of two floors with factory space at ground level and offices above A fast-food outlet and a coffee shop form part of the plans

There will also be a two-storey central office tower with linked parking Each unit will have visitors' parking and there will be ample space for truck manoeuverability, he said

Mr David Lees of Saprofin said this was the first joint venture of its kind the company had tackled and he believed it could a forerunner of other similar developments

● An opportunity to invest in Port Elizabeth high-rise office building Murray and Stewart Centre is being made available by **Masterprop**, the property arm of financial institution Masterbond Trust

Yielding an estimated average return of 39 percent a year over a five year-period, the offer is aimed at the smaller investor

(180) FMM 16/12/88

MANUFACTURING

Carry on regardless

Government's growth-cooling strategies of surcharging imports and pushing up the cost of borrowing, together with a generally weaker rand appear, at least in the short term, to have had little effect on the demand and sales of computers

While it was initially feared that surcharge on imports would dramatically reduce sales of computer hardware (95% of which is imported), it seems demand for tools which hold the promise of improving productivity are having an overriding influence on buyers, particularly manufacturers.

This is to some degree borne out by customs and excise statistics which over a three-month period, ending October, show a steady month on month running total rise for mechanical and electrical goods imports (which include computers) from R7,8bn in August to R10,1bn in October.

While the figures are not sufficiently up to date to show any influence on sales of the 2% increase in the prime lending rate after the October municipal elections, local computer companies report that demand for systems is as high as ever

National Systems chairman Terry Burns tells the *FM* that his organisation has just had to double the number of consultants employed to advise users on computer needs.

"We can barely cope with all the inquiries and we are currently working on installations on eight manufacturing sites. By April we will have installed our SA PICs systems, introduced at the end of August, to a total of 15 sites. Each deal is worth upwards of R50 000 in terms of software and R150 000 in terms of hardware.

"As long as there is an economy left we will have a manufacturing sector doing its damnedest to be more competitive"

He admits, however, that the reduced availability of capital must have had some effect, particularly in terms of hardware imports where buyers are paying more for less all the time. "We have to be grateful the software to run that hardware is available in SA and therefore not vulnerable to the exchange rates"

Burns's comments confirm the prediction, at least in the short term, made at the beginning of November by Reunert Computer group CE Roux Marnitz, that the computer industry would to a great extent be cushioned from the worst effects of expenditure curbs because the more difficult the times, the greater the emphasis by manufacturers on productivity to boost bottom-line profits.

He predicted growth rate of about 20% for 1989 ■

Marnitz . . . high growth forecast

R3-m industrial park for Blackheath

VERNO Properties are launching a R3-million modern Industrial Park in Blackheath early next year.

The project will comprise 20 mini-factories, ranging from 275 sq m to 550 sq m The units, which will be leased out from January 1989, can be used for smaller manufacturing processes or as storage warehouses for a variety of purposes

Being close to Mitchell's Plain and the huge Blue Downs development, Verno Properties' Industrial Park offers traders and manufacturers from these areas a competitively-priced opportunity to establish themselves in one of the fastest growing areas in the Western Cape

"We have additional reserves of prime industrial land to develop, 15 000 sq m of which is situated right next door to the Industrial Park This means that our clients can be accommodated in larger premises adjacent to the Industrial Park when they expand their business," says Mr Paul Moser of Verno Properties

The company, he says, has established its first warehouse, Pavesa Properties Pty (a 1 600 sq m project), six years ago in Wimbledon Road in Blackheath. Since then, the 1 200 sq m Remo Property complex has also been erected. This complex houses Paul Moser's plastics moulding operation and will also be the headquarters for the new Industrial Park

Verno Properties' latest development will offer premises of which tenants can be proud, says Paul Moser The complex will have paved driveways, parking facilities, convenient loading bays and 24 hour security. The mini-factories or warehousing units are spacious, with clean modern lines and are suitably equipped

It offers multi faceted convenience. The location of the Industrial Park eliminates traffic congestion and parking problems. Yet, it allows easy access to the main arteries, the N1 and N2 (via the A300), and is situated close to the R102, which leads into Kuils River, Stikland and Bellville

Another attraction of the Industrial Park is its close proximity to Blackheath station Each unit will offer its own office facilities incorporated in the main structure. The first units will be available in January and the entire project will be completed later in 1989

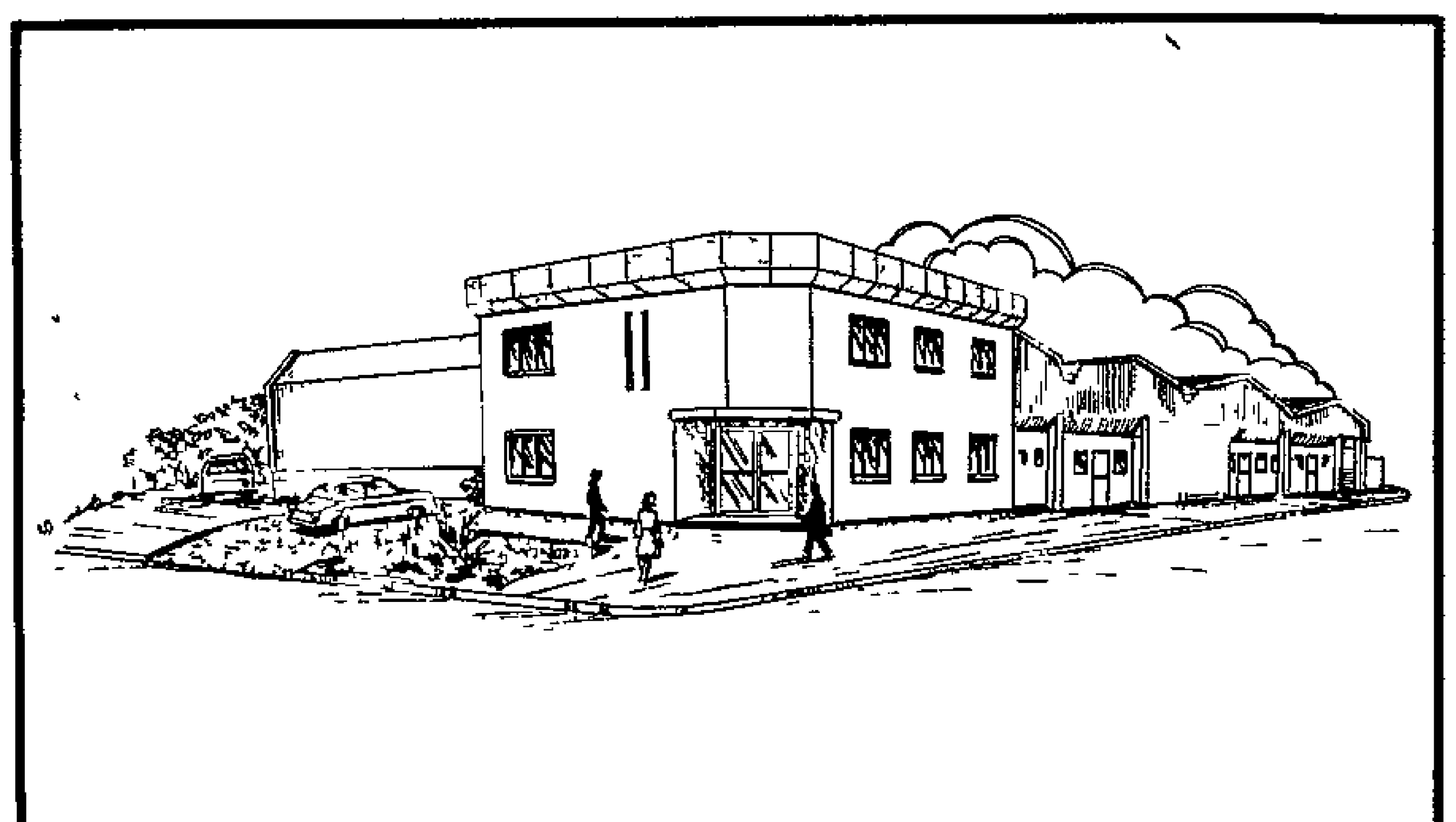
Paul Moser's unconventional approach to an uncertain economic environment includes expansion rather than a clampdown, because, he says, the best artisans and craftsmen of the building industry are now available for projects such as this. Not only does it make money sense to incorporate their services, because they work fast and efficiently, but it also raises building standards to a marked degree

Verno Properties' Industrial Park offers the small businessman and manufacturer an opportunity that should be set apart in terms of quality, affordability and convenience in the main circle of Blackheath industries

Mr Paul Moser.

The Pavesa Warehouse, established six years ago in Wimbledon Road, Blackheath.

BELOW: The R3-million Industrial Park, currently under construction, will be launched by Verno Properties early in the new year. The complex will have paved driveways, parking facilities, convenient loading bays and 24 hour security.



The Remo Centre.

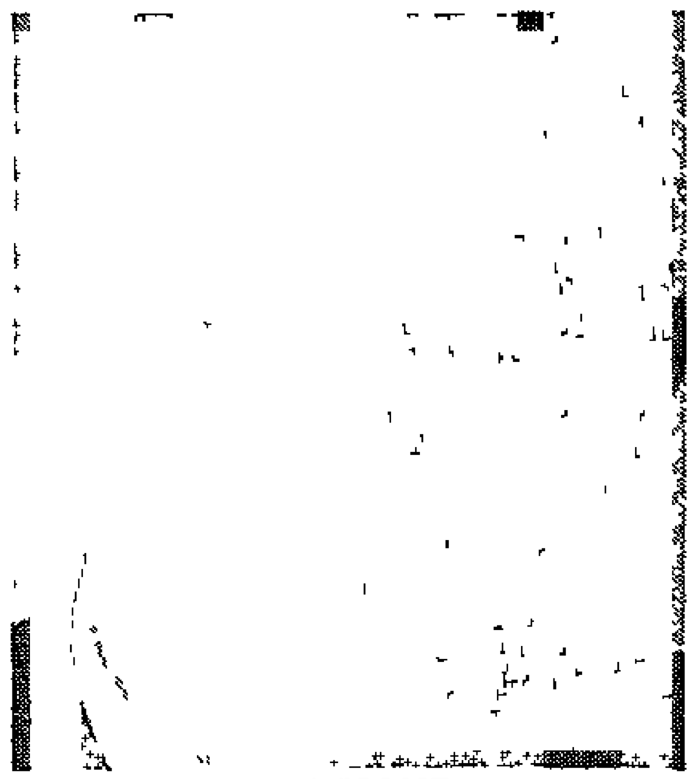
5/Time 4/12/88

180

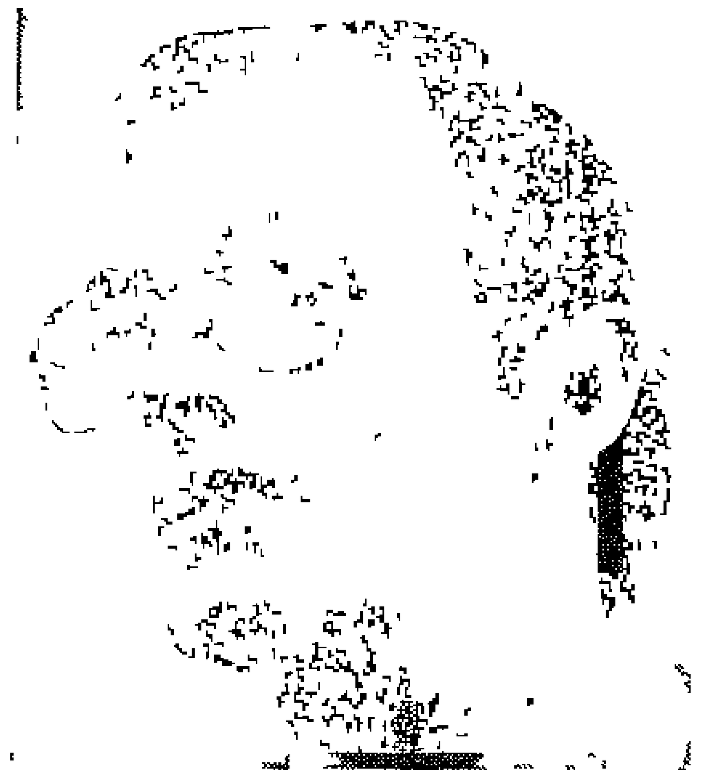
Charge of the wildebeeste!

By RICHARD ROLFE in London

IN the past two years nearly 20 individual South African entrepreneurs or established concerns have set up UK offshoots, enlivening the local scene and bringing their own particular brand of opportunism to the British business arena.

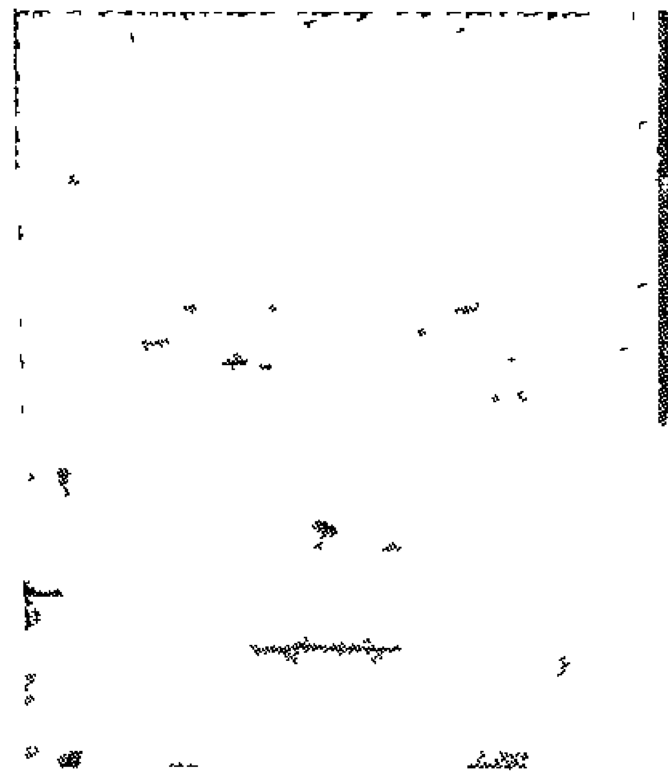


KEN MAUD



BRUCE McINNES

MILTON LEVINE



DARRYL PHILLIPS

SA men make it big in Britain

The arrival of South African entrepreneurs has generally been welcomed — the "charge of the wildebeeste", one commentator has called it — although it is also noted that South Africa can ill afford the loss of so many of its brightest business brains.

The only sour note has been struck by the Anti-Apartheid Movement It sees in the action of SA businessmen in setting up shop in London a sinister conspiracy to outflank sanctions — though it was forced to admit that no such motive lay behind Roy Bishko's colourful chain of Tie Rack boutiques.

SA businesses in the UK fall essentially into three categories

First there are the long-established offshoots of SA big business — Anglo with Minorco, Charter and their affiliates, Rembrandt and its Rothmans arm, Liberty with the Capital & Counties property group and Barlows with J Bibby

A second category, of more recent big business investors, includes the Gencor group, which moved into the UK only last month with the purchase of control of the £40-million MY Holdings.

Funds

It also includes Old Mutual, with its offshoot Providence Capitol, whose purchase price has never been disclosed, but which now has funds of £250-million under management

Then there is Telemetrix, the £40-million group acquired by Altron earlier this year. Finally, AAF International, the cash shell controlled by Jeff Leibesmann's FSI, has yet to make its first move.

The third category, that of individual entrepreneurs, is headed by Julian Askin and Hugo Biermann of Thomson T-Line

From capitalisation of under £1-million two-and-a-half years ago, they have built TTL up to a £100-million company and have negotiated an agreed bid worth £270-million for the conglomerate, Suter

Collapse

Peek, the £130-million electronics company where Ken Maud is managing director, is the next biggest creation of the individual entrepreneurs

Since taking control in August 1986, Mr Maud has made a series of acquisitions, of which the biggest, the £100-million Dubilier International, is still being digested.

When mining engineer Chris Hotson took over at coal recovery company Ryan International, it was on the verge of collapse It has now built up to be the biggest private sector coal operator in the UK, and is capitalised at £60-million.

However, its development received a setback recently when ambitious plans to merge with oil producer Carless Capel into a broad-based energy group were abandoned because of shareholder opposition

Also weighing in at £60-million is Goode Durrant, the motor-dealing, house-building and trade finance vehicle of Michael Waring. He has accumulated a cash pile of £30-million in the company, and his next move is keenly awaited.

Ivor Schlosberg, who ran RPM Records in SA for several years, first found Pickwick, his UK vehicle, when heading Premier's international office

Strength

Pickwick's proprietor, Monty Lewis, was unwilling to sell to an SA-controlled group, however, but Mr Schlosberg was able to seal the deal after subsequently leaving Premier.

The company distributes records, CDs and videos, and has gone from strength to strength, having doubled in value to £52-million since its May 1987 listing

Associated-Henriques, the trade finance group controlled by Reichmans' Milton Levine and his cousin, Dennis, continues to grow steadily and is now worth £24-million on the London stock market

A disappointing performer so far has been Charles Baynes, the vehicle of the highly-regarded Bruce McInnes, best known in SA for his time at Hudaco

Baynes's share price was up to 280p ahead of the worldwide stock market crash, but has since almost vanished to 30p, profits, however, are coming along well.

As is fitting for an advertising man, Darryl Phillips has adopted a high profile at Acsis and has persuaded several SA executives to join him, including ICS's Owen Dinsdale

Acsis has done a number of deals, without so far benefiting its share price, which languishes around 58p

This is a worthwhile advance on the 20p Mr Phillips paid for his stake, but spectacularly down on Acsis's pre-crash high of 331p

Philippe le Roux, of Norton Group, likewise enjoys a high profile because of the interest generated by the famous motorcycle interests

He has just completed a US acquisition which promises to double Norton's capitalisation, currently £5,7-million

Still to make major moves are Mining and Allied, and Brewmaker, the vehicles of Dan Slabbert and Tony Acton respectively

The success rate of SA businessmen in the UK has been high.

Influx

Only Ronnie Price, who acquired the DSC shell, had to withdraw when he found it impossible to divide his time between his SA and UK interests

According to the corporate financiers most intimately involved, inquiries from SA entrepreneurs still contemplating a move to the UK continue to come in at a high rate

There seems every reason to think that those currently operating in the UK will be joined by a fresh influx before long.

(180) 20/12/88

Shareholders' rights prejudiced by use of Section 15A

Star 20/12/88

(180)

By Ann Crotty

Widespread use of a little known section of the Companies Act is allowing companies to ride rough shod over the interests of shareholders

Section 15A, enables companies to withhold information that could be essential to investors making a valued judgment of their stake in a company

In many cases it is difficult enough for the average shareholder, even those with a background in accountancy, to be able to glean the exact nature of the company's activities and its profit/loss profile

In most instances, a combination of the company's own management and its financial advisers have sufficient scope to be reasonably discerning about what should or should not be revealed to shareholders

Over a long period of time, say five years or so, a persistent shareholder can make a fairly accurate judgment about his investment but bottom line for the small investor when looking to buy a share is caveat emptor

However the existence of Section 15A means that very few shareholders can afford the luxury of feeling that even after much investigation they have at last got a handle on their investment

If they crack the published information their judgment may be way off because of the volumes of information that management has been allowed to exempt from publication

Section 15A of the Companies Act states

(1)The Minister may-

a)by notice in writing prohibit any company from disclosing, or from stating on or in any document of the company,

b)on the written application of a company to the Registrar, exempt it, subject to such conditions or restrictions as the Minister may deem fit, from the obligation to disclose, or to state on or in any of its documents particular information or a particular fact concerning the affairs or business of the company, or that of any of its subsidiaries, which the company would otherwise be required under this Act to disclose or to state on or in any document

Sub-section (3) of the Act may provide some comfort to shareholders, it states

The Minister shall, when considering whether to impose a prohibition or grant an exemption under subsection (1), have regard to the right of the members of the company and of other persons to be informed of the state of the affairs and the business and of the profit or loss of the company or of the company and its subsidiaries

Section 15A was inserted into the Companies Act in 1978 and the feeling is that it was intended to prevent disclosure of strategic issues which would be sensitive to SA's interests

This is highlighted by subsection (1a) which was apparently aimed at companies trading with Armscor and the like

Over the past 10 years it appears that use of Section 15A has tended to become the rule rather than the exception In many instances it is drawn upon to protect South African companies that have foreign subsidiaries operating in an unfriendly, sanctions-threatening environment

In these circumstances some discretion is justified although parameters should be set At present it seems that it is possible for a company to shuffle around its overseas' profits/losses without its South African shareholders having any clue as to what is going on

But the argument that Section 15A is used to chiefly to protect South African interests overseas is unsubstantiated

Registrar of Companies Johannes Janse van Rensburg says that "a fair number of applications relate to overseas interests" but adds, "I wouldn't say they represent the bulk"

Mr Van Rensburg did not know how many companies have been given permission to use the exemption facility

It is difficult to put a figure to it as managements are not obliged to reveal the fact that they have been given permission but sources indicate that the majority of JSE companies could be using it to some extent

Major concern about this legislation, which in effect runs a horse and coach through shareholders rights, is the inadequacy of its policing

The applicant must furnish the Registrar with full information supporting the request and each case is studied on an individual basis. The exemption granted is of a specific nature relating to the application

On the issue of abusing section 15A, the Registrar notes "To the best of my knowledge it is not abused" Adding "We scrutinise applications closely to see where it could be abused"

But, as he points out, in terms of the Act the Registrar's office has no policing function "While availing of Section 15A, companies have to lodge their annual reports and financial statements with this office but I have no obligation to look at, or scrutinise them"

As Mr Van Rensburg sees it, any policing that has to be done should be done by the company's accountants and auditors. "They have to present us with certificates and it is up to them to see that they are correct"

This notion of self-policing may provide little comfort to shareholders

Large shareholders are not as exposed as the smaller shareholders because their importance usually ensures that management keeps them informed of any significant developments

Steady manufacturing surge

(180 Nov 27/12/88)

Production levels reach 7-year high

BRUCE ANDERSON

MANUFACTURING production volumes have surged this year to their highest level in seven years, a rise that one analyst believes is attributable mainly to the large scale of import replacement being undertaken by SA industry.

The official index for production volumes — compiled by government's Central Statistical Service (CSS) — reflects the physical volume of manufacturing production.

Since mid-year the index has climbed dramatically to a level reached previously towards the end of 1981

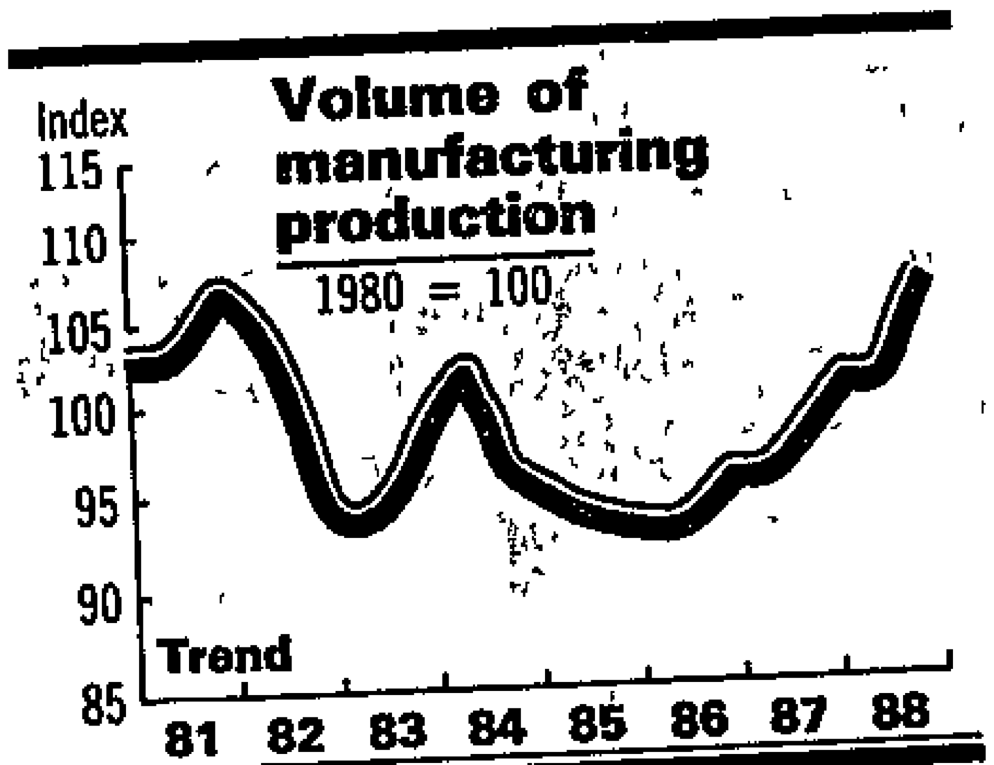
At the end of October the index was at 113,4, slightly off the September high of 114,8

Until the surge at mid-year the index had been climbing steadily from February 1986 when it had fallen to 92,8

The official government figures tally strongly with a similar manufacturing survey conducted by the FCI

However, while the CSS figures on the official index are available only until the end of October, the FCI has buoyant results for November

Compiler of the FCI manufacturing figures, industrial consultant Gad Ariovich, believes the main reason for the increase in manufacturing volume lies in a relatively large scale of import replacement by SA manufacturers.



Graphic FIONA KRISCH Source CSS

"The low rand and problems with the supply of imports have made many in the manufacturing industry decide to see what they can do for themselves in replacing imports"

He says a relatively high increase — about 6% — in the amount of machinery produced by SA manufacturers supports his belief that manufacturers are now producing products that were formerly imported.

CSS head Treurnicht du Toit says the index reflects the volume of manufacturing production by reducing the value of products manufactured to a constant

He says the belief that general economic activity has not been high this year is not reflected in the index

Ariovich does, however, sound a cautionary note in his analysis of the soaring manufacturing volume index

He says expected higher taxes and interest rates "should put a lid on any further growth in the index next year"

Few new jobs for blacks in manufacturing sector

Star 28/12/88

180

By Derek Tommey

The manufacturing sector has had a boom year

Strong domestic and external demand helped lift the index of physical volume of output (1980 equals 100) in the first 10 months of this year to 105,1 — the highest since 1981's record 106,9

According to this index, which is compiled by Central Statistical Services (CSS), industrial production in January-October was running 5,9 percent ahead of the same period last year and 9,4 percent on the same period two years ago

But while manufacturing output has risen strongly, the growth in employment in the manufacturing sector has not

Government figures show that in the first 10 months of this year the manufacturing sector's workforce grew by only 16 500, or 1,2 percent, from 1 333 000 to 1 349 500

In this period the number of whites in manufacturing rose by 700 (0,2 percent) to 294 000, the number of Coloureds by 6 300 (2,6 percent) to 247 600, the number of Asians by 2 500 (2,8 percent) to 91 000 and the number of blacks by 7 000 (1 percent) to 716 900

The increase in white, coloured and Asian employment is roughly in line with the growth in their numbers But the growth in black employment in manufacturing is far below the black population increase, which must be disappointing to anyone hoping to see manufacturing help reduce the high level of unemployment

It is sobering to note that in February 1982, manufacturing employed 1 468 100 — 118 600 more than it does today, almost seven years later

This is made up of 320 300 whites, 259 400 coloureds, 93 900 Asians and 794 500 blacks

However, the employment position is better for blacks in the construction industry where their numbers have risen by 12 100 this year (5,9 percent) to 217 900. The number of whites rose 200 to 42 100 The number of coloureds dropped by 400 to 46 300 The number of Asians increased by 1 000 to 6 000

However, blacks seem to be lagging behind in the financial services sector

While insurance industry workers grew by 10 795 (6,6 percent) to 172 898 in the 12 months to September, the number of blacks rose by 1 250 (4,4 percent) to 23 594, Central Statistical Service figures show

Employment in the banking sector in the same 12 months rose by 4 739 (5,3 percent) to 92 768 but the number of blacks rose by only 10 to 11 608, the figures show

Banking officials are sceptical about the figures They believe the black component is much higher, especially in larger banks But they say they find it difficult to retain black workers once they have been trained in banking and finance There is great demand for such people in other sectors of commerce and industry and in government service, a personnel officer says

Blacks made a small advance in the building society sector While the number of people employed rose by 259 (1,2 percent) to 21 096, the number of blacks increased by 65 (2,1 percent) to 3119

But these figures for black employment fade into insignificance when set against the growth in the black population According to figures recently issued by the CSS, the black population of South Africa (excluding the homelands) had risen 481 000 to 20,6 million in the year to June 1988 — an increase of 2,4 percent

By contrast, the white population was virtually static, growing 38 000 (0,7 percent) to 4 949 000 The coloured population grew 58 000 (1,89 percent) to 3 127 000, while the Asian population grew 15 000 (1,64 percent) to 928 000

Altogether, the total population grew by 592 000 (2,0 percent) to 29,6 million

In view of the huge increase in the black population, which in itself is creating a big demand for goods and services, one would have expected the number of blacks in employment and especially in skilled jobs to have grown at a much faster rate

This is especially so as the number of whites, coloureds and Asians is not increasing fast enough to fill the gap

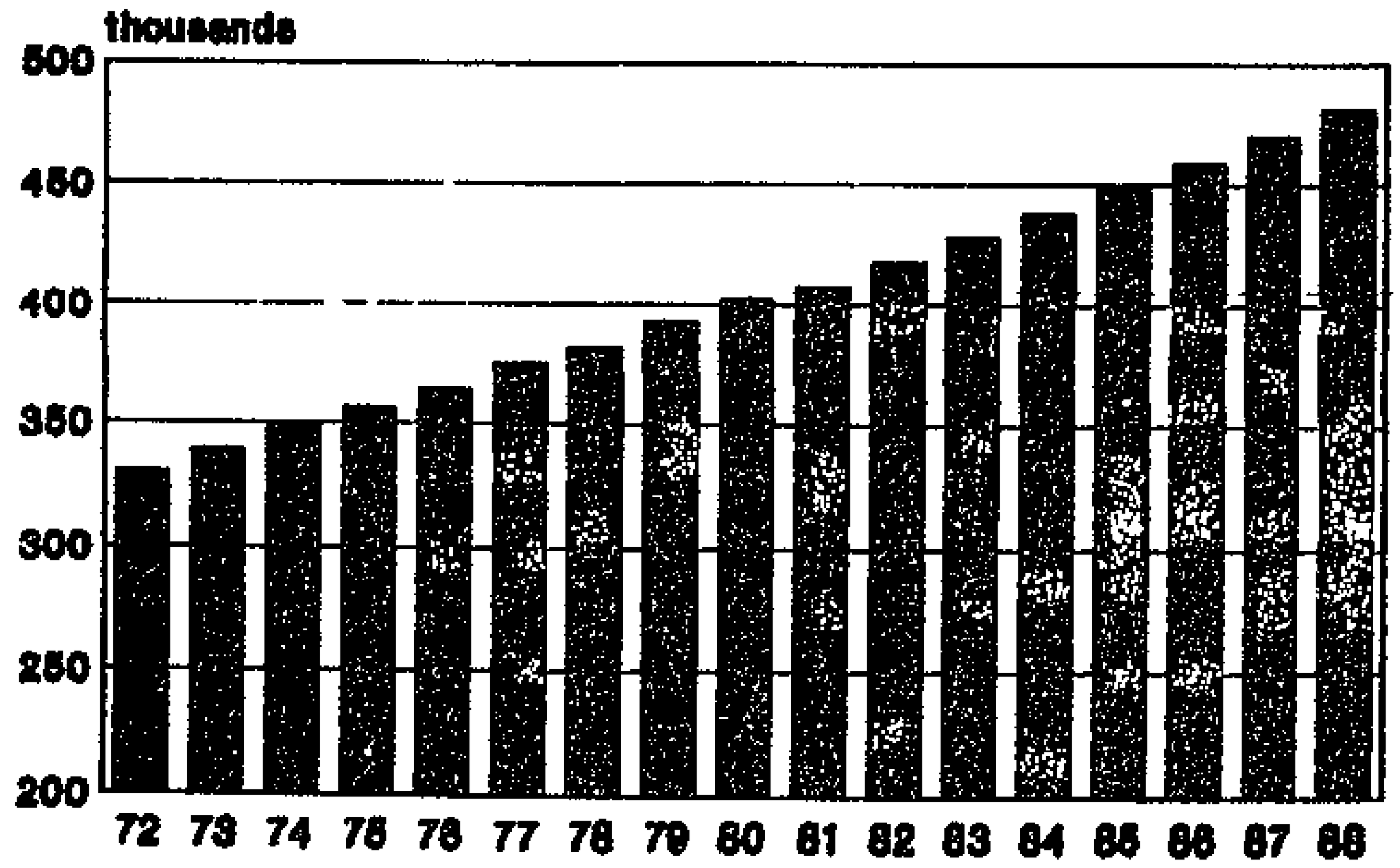
However, one of the reasons for the low increase in employment, according to employment agencies, is that while the number of black school-leavers is large, the number with reasonable qualifications is limited, and most of these do not want to work in the financial services or manufacturing sector

A major constraint on the employment of blacks in the financial sector is their inability to communicate in English, an agency worker says

While more blacks are becoming apprentices in the metal industry, the total for the whole country and all population groups is 8 500 — down from 12 000 a few years ago

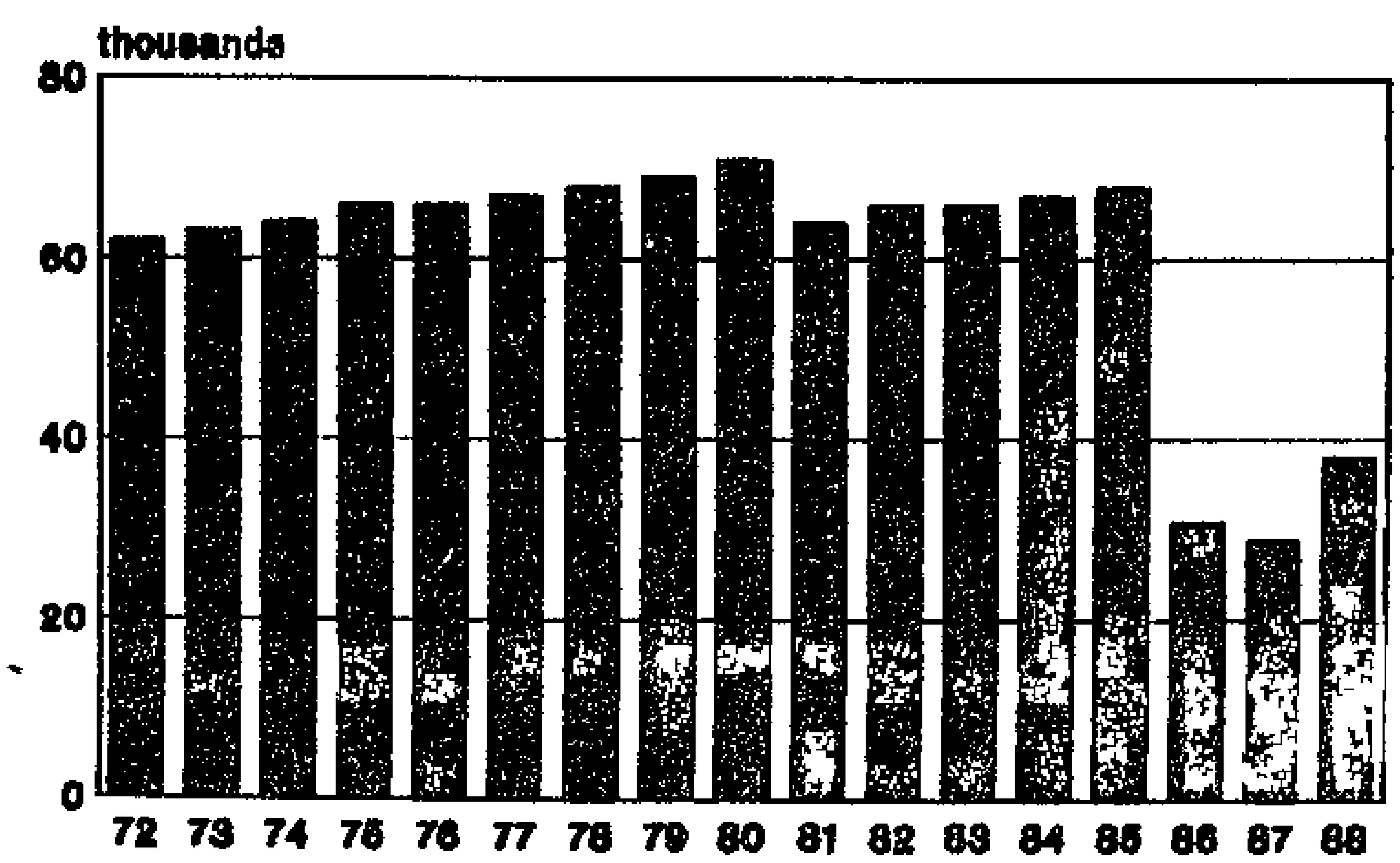
Annual population growth

Blacks



White population growth recovered slightly in the year to June to 38 000, estimates show This follows two years when increases were 29 000 and 31 000 Population growth in these years was less than half that in the preceding 17 years and helps to account for the relative drop in white buying power reported by some retailers. The black population has been growing steadily In 1971 it grew by 323 000, in 1981 by 408 000 and in the year to June by 481 000

Whites



Outlook '89

INDUSTRIALS

180

Star 30/12/88

By Syd Vianello, analyst at Mathison and Hollidge

Although not exactly an easy year, 1988 saw a fairly consistent recovery in the industrials board, as evidenced by the recovery from its low point of 1386 to its current 1905, itself not substantially below the level prior to October 1987's crash.

The fairly strong recovery occurred in the shadow of:

- Continued substantial increases in profitability reported by major firms comprising the index.
- Continued strong levels of consumer demand and a modest recovery in gross domestic fixed investment, in turn assisted by the start of construction of the Mossel Bay project.
- A re-rating of, and massive rise in, the price of many shares classified as rand hedges. As an example, the Remgro group, which comprises nearly 20% of the industrials index, has shown over 100% growth in its share price since February

Fundamental issues

The question now begging is simply: can this trend continue, and do the fundamental issues continue to justify any further improvement in the market?

We believe the fundamental issues to be addressed are:

- Expectation of a slowdown in the rate of profit growth. Many companies, especially those more highly geared than others, could well produce lower earnings in their next reporting periods. Furthermore, much of the growth in profitability was reported off a very low base, the latter now being much higher.
- Expectations that higher mortgage rates and other interest-bearing forms of debt must eventually work their way into the domestic economy in the form of reduced levels of consumer spending.
- Expectations that the cost of borrowings may well increase further before declining in the latter part of the coming year

Current history has shown that the correlations which have existed over many years between interest rates, earnings growth and share prices have continued to remain relatively intact over the past 15 months (the period immediately after the crash). Consequently, we cannot take any other view than what history tends to suggest and that is:

- Rising interest charges must inevitably affect operating profits and bottom-line earnings (It is already evident in some reported results recently at hand).

The stock market has an uncannily accurate ability to anticipate the future and to adjust prices to levels more appropriate to expected profitability.

- The above scenario, in turn, fits in well with the established negative relationship between interest-rate levels and growth in the industrials index.

Given the above, we would expect a weakening of the index in 1989, and probably earlier than later. We say this because while there has already been evidence of a slowdown in profit growth, the index so far has refrained from showing any signs of weakness. Except for the impact of certain rand hedges, the rise in the index has been inexplicable, given the consistent rise in interest rates and the long-standing negative correlation between them and the growth in the industrials index.

How much can the index fall? There are a few interesting mitigating factors to bear in mind:

- The new element of rand hedge stocks will continue, we think, to show sustained growth in price, notwithstanding the above. We say this because we believe these shares, which in terms of market capitalisation constitute a growing element of the index, will be more positively influenced by the expected fall in the rand, as opposed to the negative impact of rising interest costs
- The positive impact of the current political settlements will positively influence market sentiment.
- Institutions continue to be bedevilled by an inability to invest funds abroad
- Property investments, particularly greenfields developments, which take years to bring to fruition, are unexciting at present due to the expected oversupply of space, poor economic conditions and an unfavourable letting climate expected circa 1991/2
- Balance sheets are generally in better shape than ever before, not only enabling such businesses to withstand the expected decline in activity, but offering investors sufficient encouragement to commit funds to the industrials market

Investment avenues

Consequently, institutions only have two principal alternative investment avenues open to them:

- Cash investments, which not only yield a useful 16% or more, but which can be used for later investment in gilts (when rates fall later on in 1989, as we expect they will), or in selected privatisation projects
- The JSE, which, because this is the only real alternative available, we hope will encourage a continued interest in the overall market by major institutions

Overall therefore, we think the industrials index will fall, but probably by no more than 10-15% from its current levels. At these levels it should offer good value (not that the value isn't there already), in the form of historic dividend yields of 4,5% (in fact excluding the Remgro/Richemont groups, the yield will be over 5,5%) and reasonable prospects for further dividend growth, albeit at lower levels than those of 1988

JSE: the agony and the ecstasy

SVEN FORSSMAN

Star 3/1/2/89

The old adage that the rich get richer and the poor poorer held true as far as the JSE was concerned over the past year

Overall, the JSE performed much better than expected, but the small investor who bought cheap stock such as marginal gold mines, mining explorations and certain Development Capital Market counter got his fingers burnt

Investors who bought the more expensive blue chips have, in some cases, made very handsome gains

For instance, diamond share De Beers advanced 41 percent from R29,65 at January 3 to R41,70 yesterday

Liberty rose 46 percent from R96 to R140, Lonhro increased by 73 percent from R13,50 to R23,35 and Consgold shot up 66 percent from R53 to R88

Gold mining shares struggled in the last part of 1988, especially the marginals not managed by the major mining houses.

Sub Nigel, Southgo, South Roodepoort, Cengold, Modbee, Modder and Rogold fall into this category

Most experienced problems in one way or another, in the process of which the share price declines were exacerbated

They have recovered a little, however, since the Technical Committee on Mining Taxation's proposal that the overall tax burden on the mining sector be reduced

The all gold index has fallen 35 percent since January 3, compared with the other major indices, which all ended the year higher — all gold (9 percent), metals (58 percent), financials (10 percent) and industrials (34 percent)

A recent Sunday Star survey by finance editor John Spira showed Autopage to be the year's best performer, with a gain of 214 percent, followed by Lonsugar (199 percent), CMI (183 percent), Union Steel (182 percent), Omhold (142 percent) and Lebowa Platinum (135 percent)

Among the laggards were Sub Nigel (87 percent), Millys (86 percent), Southgo (82 percent), (Waverley (81 percent) and Corex (81 percent)

A suggested portfolio for 1989 is

- W&A — Based on its holdings in Hunts, McPhail, AAF, Homemakers and in unlisted investments, its net asset value is R51,40

Results due in February are expected to be phenomenal.

- De Beers — The diamond share is one of the best rand-hedge stocks The emergence of the newly industrialised countries in the Pacific basin as a prime area of demand for diamonds greatly enhances its prospects Earnings of 700c a share are expected
- Rhombus Exploration — The share has declined more sharply than other counters in the sector and important announcements are expected early in the new year
- Keeley — Granite companies face a buoyant 1989, with growing exports and profits
- Tradegro — All bad news has been discounted The retailers and wholesalers sector as a whole looks attractive
- Interboard — Critics say there are too many shares in issue, but prospects are good
- Harties — One of the cheapest gold producers The mine has a recovery grade nearly twice the South African average

When gold moves, it should advance more strongly than most

- Sunbop — The share is underrated and recession-resistant.