MANUF. - Iron & Steel

14-1-79 - 28-12-79

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\[ \text{Signature} \]
Dieptrekstaal vir blikke in SA vervaardig

NOUE samewerking tussen Yakor en Metal Box Suid-Afrika het geleë tot die ontwikkeling van 'n spesiaal soort metaal waard Suid-Afrika sowat R4,3 miljoen per jaar aan buitelandse valuta sal bespaar.

Die tweestukblíkke is oorspronklik in Amerika ontwikkel en Metal Box het in 1971 sy eerste tweestukblíkke in Brittanje begin vervaardig. Met die gebruik van ingevoerde staal is die eerste tweestukblíkke op Rosslyn in 1976 vervaardig.

Een van die oorspronklike ontwerpers van die dieptrekstaal staal in Amerika, Crown Cork & Seal Inc., het reeds die nuwe Suid-Afrikaanse produk besig en getoets. Die versilyer kan in vier kleure aangebring word, en omdat die blikke geen na het nie, kan die blikke reg rondom versier word.

... en evaluation of Professor Plewman's engineering effort. We do not have Professor Plewman's insistence nor his access to detailed technical and production information, adding adjustments that may be required by information during the 3 to 4 years that have elapsed since he research.

Definitions

First derives some estimates of the future rates of the main minerals mined or quarried in South Africa. The mined are 1980 and 2000. He then considers the 'balancing technologies' likely to be used for each mineral in the mining and processing industries, and then presents the levels of employment in these various branches that are entailed by his output and output per worker.

Yank-patent

Tot ethieke jare gelede was hierdie toegeneem onbekend en kon net diéstukblíkke met romp, bodem en deksel - vervaardig word. Die spesiale staal wat vir die tweestukblík benodig word moes eers uit die buiteland ingevoer word. Maar na die hierdie deurbrak van Yakor en Metal Box word die staal plaaslik gemaak, met die gevolglike aansienlike besparing aan buitelandse valuta.

Die gebruik van die tweestukblík beskik ook oor heelwat voordele. Ver-
HOEWEL 1978 vir die land se boere 'n baie goeie jaar was, het die afset van nuwe trekkers in hierdie jaar met sowat 17 persent gedaal. Daar is 12 001 nuwe trekkers verkope, wat sowat 2 500 minder is as verlede jaar.

Die verwagting is dat die swak landboujaar wat van- jaar in die vooruitgaan word, die afset van nuwe trekkers verder kan konnu 4 en 'n syfer van tussen 10 000 en 11 000 word verwag.

Mr August von Eckardstein, bemarkingsdirekteur van Malcooms, het in Sake-Rapport gesê dat boere ondanks die paar goeie landboujaare 'n tekort aan kontant het en dit is die rede waarom die trekker- mark so kwaal verswak het.

In 1979 sal die melies-oos, mits binne die volgende week deurdringend reën uitval, slegs sewe tot acht miljoen ton wees. Goeie reën in die najaar sal verseker dat die korningoepe op dieselfde vlak bly. Verder sal die pryse op die wêreld- mark vir mielies steeds laer bly as die plaaslike pryse,

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formation has shown how it can be done economically,

Trekkers

Vervolg van kol. 6

gebruik van diesellbrandstoffe, sowel die onlangse prysverhoging kyk na trekkers wat hoer uitsete per uur vir dieselfde brandstofs of verbruik lever.

Hier is dit veral virwielaaangedrewe modelle wat 'n groter vraag sal maak om meer gebruik te maak van dieselfde hoeveelhede brandstof. As hul toewielaaangedrewe staal maats per uur verbruik, verrig hulle tot een-derde meer werk in dieselle tyd, in los grondtoestande, sê hy.

Vervolg op kol. 3
STEWARTS & LLOYDS
Lower margins

Activities: Manufacturer and distributor of steel sections, structures and pipes, pumps, valves and sluice gates, diesel engines, irrigation equipment, castings, air conditioning, ventilation and refrigeration equipment, and mining machinery. The holding company is Ipsa, which holds 32% of the equity. British Steel holds 21%, Anglo American 11%.

Chairman: H C Kuper, deputy chairman and managing director: T M King

Capital structure: 22.8m ordinaries of 50c 300 000 6% cum prefs of R2
Market capitalisation R43.3m

Are you satisfied by this?

do you to know the work?
STEEL
No longer a worry

The shortage of good coking coal in SA has long been a worry to the steel industry. No longer, Iscor's recent discoveries of large deposits of both blend and straight coking coal have virtually removed the fear that the strategically important industry could become dependent on imported supplies of this crucial ingredient.

The new finds—which include some of the best quality coking coal yet found in SA—also offer the promise of an improvement in iron-making efficiency of about 1%. For a long time like Iscor, this would be a very big bonus.

Coke—the solid substance left when the volatile parts have been distilled from coal—is used by both blast and basic oxygen furnaces. It is used by blast furnaces in the blast, where it acts as fuel. Blast furnace coke is of relatively good quality. Basic oxygen furnace coke, which has a high ash content of 10-14%, against 5-6% in SA's higher quality coke, is 73-80% against some as low as 19-21% in the USA and poorer coking properties.

To stretch its limited reserves, Iscor makes Natal coal 20-30% with blend coking coal from the Witbank No. 5 seam to obtain an acceptable coke. Because this coke is relatively weak, it cannot adequately support a mass of iron ore and dolomite. The output of iron from Nelson Mandela and Iscor's own blast furnaces is up to 40% lower than that obtained in similar furnaces in Japan or Australia.

Witbank No. 5 seam due to be exhausted early in the Eighties, Iscor is now looking into the possibility of a 100Mt leading deal with Standard Bank. Its own deposit at Grootehuk (see map) which stretches to the boundary of the Kruger National Park, the coking coal is of better quality than Witbank No. 5 seam and the blend will require less straight coking coal than at present. Even so, present sources of straight coking coal—five private sector mines in Natal and Iscor's own Durban coal mine—have limited lives and the hard fact is that blends of coking coal cannot be used on its own. This is where the new Grootehuk deposit is important; the new deposit is south of the mouth of the Tugela river in the Northern Transvaal.

The best yet

There we have identified better coking coal than anything else seen in SA. This is a new seam of coal with much higher ash and considerably higher in quality. The three deposits which get progressively better in quality as you move eastwards from the N4 highway south of Tshipise, are Block C (about 20% sales)...
HUNT LEUCHARS & HEPBURN

Aiming for bluechip status

Not only should this fourth-generation family business be set for a re-rating 12 months after its listing when its first interim results are published in November, it could come close to its aspired-for bluechip status. Although MD Chris Perry expects the group to do little more than achieve the forecast modest 9.3% taxed return on the R48m shareholders' funds this year, which ends on February 28, the management objective of a 15% return could be exceeded within 12 months of the listing.

Construed by some analysts as a stumbling block to a ranking among the best on the JSE is the low (2.5%) interest cover. While the directors take the point, they add that up to the time of the listing growth through acquisition and capex on plant and equipment was funded solely from ploughbacks and borrowings. Internal capital developments, such as the recently established steel tubing subdivision, are now contributing at acceptable levels.

Perry further points out that the listing will enable the group to tailor its capital structure. This suggests that the equity base may soon be broadened by some sort of rights issue.

So far, the steel division, which began with the acquisition of Wolhuter Steel in 1973, has been HHI's most successful diversification out of mining supplies. Sweeteners to profit growth include steel tubing, which is enjoying stronger local and overseas demand. In fact, higher export sales of tubing, particularly to the US, have enabled HHI to push its total overseas turnover up to R15m.

The board is particularly excited by the growth prospects of the engineering division, which now has a full order book.

When Hunt Leuchars & Hepburn went public through a reverse takeover of Randles Brother & Hudson last November, the mechanics made SA merchant banking history. This report dissects the group's present operations and suggests what could be in store now it has the status — and resources — that accompany a JSE listing.

Research into finding suitable alternatives to timber supports but this does not mean timber has become an outmoded support material. It is probably still the best means of supporting walkways in gold mines. However, future demand for timber support is not expected to rise significantly.

HHI's plantations cover some 70,000 ha, a third of which it owns, and the rest is leased. Conveniently, steel naturally extract and cut the hardwood for direct dispatch to the gold and platinum mines. One major contract is for a 6m expansion through the company failed to get off the mark at the expected cracking pace. Since HHI is starting on small mining projects, it may be that the only takeover the group targets will be well-managed companies suffering from a lack of finance due to the mining industry's A prerequisite would be a proven return of at least 15% on shareholders' funds.

Acquisitions could be large, involving double (and more) the amounts involved in the past. When limited capital resources restrained the group to date being Wolhuter where R4m was spent on the original stake. After all, the listing has placed in the directors' hands unissued shares worth R35.5m at the current R24.50 share price. Their presence is probably due to their conviction that the share price has some way to go.

The reverse takeover of Randles, whereby it became the group's principal, changed its name to HHI and retained its listing, made SA merchant banking history, because Standard Merchant Bank actually bought a controlling interest in Randles on behalf of HHI. A condition of the transaction was that SMB realise Randles' assets for at least R5m in cash. The total consideration was R5.2m in cash, which includes the expected proceeds from the disposal of the jewellery business.

As an investment HHI is sound and investors are awakening to its prospects. Last month they pushed the share price up 40c to 260c. Given that the group will improve slightly on its forecast earnings and dividend, it is on the cards that the 13c dividend (equivalent to an annualised 19.5c) will be paid for the 8 months to February 28, 1979. At 260c, the shares on the basis of earnings of R6.3 per share, are 12.5 times earnings.
HIGHVELD STEEL
Export successes

In contrast to most other steel and ferro alloy companies worldwide, Highveld continues to forge ahead, and, thanks to production restraint coupled with European reference prices, US dollar prices and a weak dollar, Highveld realised substantially higher prices for its steel exports in the six months to December.

Together with the consolidation of Rand Carbine for the first six months, this led to a 55% increase in turnover to R121m and a 40% rise in profit to R19m. But Highveld did not only depend on the increase in ferro alloy prices to boost earnings and share price, it also managed to increase the average level of earnings from 7% to 12% in the second half, which contributed to an overall dividend increase of 27% to R42,5m and an interim dividend increase of only 14% to R1.

In general world steel consumption is expected to grow by a modest 3% this year. However, most of this growth should be accounted for by the commutel bloc, which continues to enjoy high operating rates. On the domestic front only modest growth is expected and Highveld continues to view the market in the short term very much as a large steel producer. The power stations that South Africa has commissioned to meet the surge in demand should have an impact on the overall steel producing capacity.

Demand for steel is still depressed so the Venter division continues to run at a reduced level. However, expected production levels and prices for Highveld show that a margin of steel production is being maintained and that the company is well placed to absorb any steel surplus.

Rand Carbine also benefited from improved steel prices and direct sales, of metallurgical and ferro alloy ferro products. Overall, it contributed 23% to group earnings.

As market conditions appear to have stabilised, Highveld expects to maintain its first half performance. The company's earnings per share for the second half will probably be lower than those for the first half due to the lower supply of ore and the higher cost of ore.

For the future of the group, Mr. Brink, who is also a director of the company, is enthusiastic and expects further growth in the near future. He believes that the company is well placed to face any challenges that may arise.
IMPORT REPLACEMENT

Joys and woes

What are SA firms doing to replace imports? The scope for raising the local content of consumer goods is small. Consumables make up only 14% of the total import bill. But the import replacement drive has snowballed in capital goods industries. The PAM has taken a sample of particularly active sectors.

In the electrical engineering field, GFC has replaced imports worth nearly R22m in the past two years. Traction control gear equipment for the SAR, transformers, switchgear and railway signalling components are some of the locally manufactured products. GEC also plans to manufacture PABX systems and control valves locally. Investment in a new plant needed to replace imports totals almost R10m so far.

Only about R20m of Dobryl's annual turnover of about R350m is imported. The firm has negotiated a number of agreements to compete with sophisticated imported products.

Last year Siemens started making high voltage motors, medium and high voltage circuit breakers, and switchgear in SA. MD Wilfred Weiniges reckons that though the company's products are not always cheaper than imported goods, their quality is as high. In the case of telephone systems and railway signalling equipment, he claims that the local product is competitive even in price.

SA is now almost self-sufficient in the manufacture of electric cables, and local industry can satisfy roughly 90% of domestic demand. But, says William Randall MD of African Cables, more effective tariff protection is required because the industry is currently operating at less than 65% of full capacity and having to compete with low-priced imports. He reckons that much of the R25m currently spent by the industry on imports could be saved.

Protection against sanctions

In electronics, Altech is planning to expand its import replacement programme. Currently it spends over R3m a year on research and development. Executive director Ken Maud says: "We firmly believe that the threat of embargoes on communications and electronique equipment will become less, and less, as local manufacturers become more self-sufficient."

Altech's telecommunications division is developing a transmission system which will provide thousands of long distance trunk circuits for SA's telephone network. Once production starts, SA will be self-sufficient in such equipment. The company has also placed a R1m order from the Post Office for telephone cables (the transmitting and receiving parts of a telephone) which will be made locally. Plans are in hand to produce certain quartz crystals, making SA totally independent in these fields.

At least seven companies are increasing the local content of valves made in SA. According to Hennie du Preez, chairman of the SA Valve Manufacturers Assocation, "There is some pressure from the government on the industry to go for import replacement, particularly in the more strategic applications. But, like industrialists in other sectors, he points out that the SA market is so small that production of some lines is not economic.

Sulzer Brothers are producing sophisticated pumps for the petro-chemical and industrial chemical industries, replacing imports totalling more than R2m so far. However, this saving of foreign exchange has so far been largely negated by investment in imported capital equipment needed to manufacture the pumps.

Sulzer also makes specialised welding rods and electrodes in SA. Though the value of import replacement is small, the products are used to prolong the life of imported equipment.

Piggott Maslow, of Boksburg, has replaced R700,000 of industrial rubber imports. The firm notes, however, that restrictions on the use of black labour are among the factors inhibiting import substitution.

Massey Ferguson has cut imports of a number of farm implements, such as grain drills, combine heads, and certain ploughs and disc harrows, saving several million rand worth of foreign exchange annually. New fixed investment to produce this equipment locally has not been necessary.

Apex Industries has started producing gasifier grates for Sasol II, and high chrome grinding equipment which is already being exported to South Africa. The firm also expects to be able to manufacture SA's total requirements of corner castings for containers.

Eclipse Engineering produces battery-powered industrial vehicles which were all imported two years ago.

Has it gone too far?

Great strides have been made in the coal mining industry. Hubert Davies, Dresser SA and Joy Manufacturing are among the firms which have boosted the local content of their products. Dowski & Dobson will this year start manufacturing a continuous drum miner that drills, blasts and loads coal.

But Allan Hodgson, GM of FG Licence Mining, warns that in some cases the industry has taken import replacement too far. His firm now has to produce items such as face drills and scoops, which are not always price competitive.

Nonetheless, he notes that "mining companies prefer locally manufactured machinery."

The pharmaceutical industry is rapidly moving towards self-sufficiency. Until now most manufacturers merely compounded and packaged imported active ingredients. But in the last few years the local manufacture of active ingredients has been stepped up. Last year Wellcome increased the production of two active ingredients and will soon be producing a third.

Roche and Norstam are also involved in primary manufacture, while Ciba Geigy is considering plans to build a factory for the synthesis of active ingredients.

According to Dietter Klingenschmidt, chief executive of Wellcome, it is not cheaper to manufacture these active ingredients locally, but for strategic reasons it is important to establish a primary pharmaceutical industry.

How attractive is import replacement? Strategic considerations cannot be measured in money terms, but the Reynolds report on export incentives criticised the cost increasing effects of government's policy of protecting domestic industry. Several firms have admitted to the FM that short production runs make locally produced items more expensive than the imported product.

"Short runs are the greatest problem. Excessive capital investment is not justified if production volumes are too low," says a Massey Ferguson man.
Turnover, which includes ferrous and non-ferrous metals, rose 8.9% to R137.2m (R126.1m). The divergence between the increase in turnover and the increase in pre-tax profits arose from absorption of overheads at higher tonnage and the company's swing to higher margin specialty steels.

MD Jan de Waal says the sharp improvement in the local motor industry was the main factor increasing demand for specialty steel. Forecasting this year as a difficult exercise. However, he says the company is looking towards a similar market to last year.

Demand for mild steel was weak in line with the construction industry. Mild steel's controlled prices and low margins are prompting the shift towards more profitable lines. However, manufacture of specialty steel is becoming increasingly expensive, says De Waal. Price increases for ferro-alloys, transport, and electricity have added to higher unit costs.

The non-ferrous metal market was not particularly good, says De Waal. Aluminium conductor sales finally tailed off as demand following the energy crisis died away. Moving the manufacturing plant from Richards Bay to Vereeniging should cut down overheads, though it could still leave the company with excess capacity.

Dividend distribution remains conservative as the company continues its policy of reducing debt. It is also a function of the industry's cyclical nature, meaning that dividends do not rise or fall in proportion to changing profits. At 55c the share yields 10%.

**Unions Steel**

**Improvement ahoy!**

An improvement in the local steel market and controlled price hikes increased Unions Steel's pre-tax profit more than five times to R6.1m (R1.1m) in the year to December 31. But while earnings improved 233% to 12.03c (3.6c) the dividend was lifted 120% to 5.5c, the level prevailing in 1976 when earnings were 19.8c.
BRICK & CLAY

Recovery prospects

Activities: Engineering group supplying components to the mining and other industries. Also manufactures bricks in the Western Cape. Owns Natal Steam Coal, and investments include 48.7% of Triang Pedigree (toys and prams). Union Corp holds about 10% of the equity and 30% is held by a foreign consortium.

Chairman: R G B Amm

Capital structure: 3.3m ordinaries of 50c
68 000 6% cum prefs of R2. 75 000 7% cum prefs of R2. 112 262 8.5% conv red prefs of R2. Market capitalisation R3.2m.

Financial: Year to December 31 1978
Borrowings: long and medium term, R5.0m; net short term, R2.4m.
Debt/equity ratio: 94.3% Current ratio: 1.4 Net cash flow: R1.1m Capital commitments R328 000.

Share market: Price: 98c (1978-79 high, 117c; low, 63c; trading volume last
quarter, 170 000 shares) Yields 25.8% on earnings, 10.7% on dividend Cover 2.4 PE ratio 3.9

Despite higher turnover in each of the group's operating divisions, only engineering improved its pre-tax profit contribution. After write-offs, the brickmaking operations recorded a loss.

Clabc is no longer an associated company, but an investment, and its results are therefore not consolidated. After the disposal it was found that consumable stores and the brick stockpile had been overstated and was written down by R149 000. A further amount of R296 000 was also written off against the investment as it did not improve its performance until the third quarter of the year. However performance is expected to improve and the investment to be profitable this year.

Demand for bricks picked up in the second half of the year; and if this demand continues in 1979 the company will consider re-opening the Belville plant.

The Kohler plant, which resumed operations last year, suffered from closure and start-up losses though it is now operating profitably.

The gas side, Capegas, cut its contribution to pre-tax profits from 8% to 5%, mainly because of the Cape's mild winter and depressed economic conditions.

Engineering activities contributed 99% of pre-tax profits and 81% of turnover. With the exception of the winch division, margins improved in all sections of this arm and the outlook seems buoyant.

The group has made some change to its accounting policies. Depreciation is...
now charged on both the old and new gas masts, all of which are maintained on a continuous basis, and the costs charged against income. Goodwill is now being amortised retrospectively. This means that the R247 000 which was transferred from distributable to non-distributable reserves in 1977 to offset goodwill arising in consolidation was transferred back to distributable reserves.

Although pre-tax profits for the year were virtually static, profits in the second half of the year against the comparable period, dropped down both by Clabric and the winch division. The balance sheet did not fare as well, showing signs of a difficult year.

Gearing was higher with total borrowings of R7.5m (R6.7m), representing 94.3% (82.8%) of equity funds. The current ratio slipped from 1.5 to 1.4. Creditors are up 116% to R3.5m, suggestive of easier credit lines rather than a year-end sales surge. However, debtors are also up 48% Stocks are at R5.4m (R3.7m) represent 67% (49%) of net assets, which partly explains the higher gearing.

Though return on capital was expected to improve last year as the group had taken the bulk of the expense of closing its brick plants in 1977, it in fact slipped to 13.6% (14.3%). Until the drain on profits from the capital intensive brick operations is stemmed return on capital is unlikely to show more than a slight improvement.

At 98c, yielding 10.2%, the share has advanced on the last three months. The share has its attractions to investors looking for a medium-term recovery situation.

Curt Pemberton

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### results and dividends

<table>
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<th>Percentage change</th>
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### issues

- **Nil paid letters**
  - Last day to register: 16.2.79
  - Listing begins: 16.2.79
  - Listing closes: 29.2.79
  - Last day for splits: 16.2.79

- **Fully paid letters of allotment**
  - Last day to register: 16.2.79
  - Listing begins: 16.2.79
  - Listing closes: 29.2.79

- **Prices of letters**
  - Last day to register: 16.2.79
  - Listing begins: 16.2.79
  - Listing closes: 29.2.79

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**Financial Mail March 9 1979**
though in the summer months the plant's capacity to produce alumina is increased by 25%. 

According to the London-based price acceptor, Platts, the company has had a good start to the year, with prices currently standing at $2000/tonne. This is a significant increase from the $1500/tonne it was priced at last year. 

However, the extent to which rising prices are sustained will depend on the production capacity of other alumina plants. 

Van Vuuren believes that Alusaf's production capacity is sufficient to meet domestic demand. The company currently has a production capacity of 250,000 tonnes per year, which is expected to increase to 300,000 tonnes by 2023. 

Alusaf's future prospects are promising, with the company planning to expand its production capacity further. This will help to meet the growing demand for alumina, which is expected to increase in the coming years. 

Overall, Alusaf's production is expected to continue to rise, driven by growing demand and a strong domestic market.
Ferro-alloy production rises by 70 percent

Ferro-alloy production in South Africa rose 70.1 percent in January this year to 120,900 tons compared with January 1978 but the improvement has to be assessed against considerably reduced output levels in the year ago January period.

According to the Steel and Engineering Industries Federation's January production report additional furnace capacity and the re-opening of a number of ferro-alloy furnaces resulted in increased production in the third and fourth quarters of last year which carried through to January this year.

Ingots and continuously cast billets rose 12.5 percent to 578,000 tons while January pig iron production was 19.5 percent higher at 553,000 tons.

Seisa director Dr E P Drummond said as long as ferro-alloy production can be maintained future months should show similar higher trends, especially as there has been a general pick-up in the ferro-alloy industry.
DOMESTIC APPLIANCES
A whiter shade of pale

The R150m a year white goods industry (refrigerators, cookers, washing machines and other big ticket appliances) is battling to keep its head above water. Local manufacture fell 25% between 1976 and 1978 to 304 000 units (see chart), while imports rose 22% to 84 000 units, accounting for an estimated R35m of the industry's R160m total retail value. This period saw liquidations of companies like At福德, Icelands and Coldoils, the closures of GC and Lewis Appliances, the purchase of Fuchs by Barlows and the merger of SA General Electric and Defy to form Defy Industries. Though this rationalisation potentially improved prospects, return on the industry's R110m investment nevertheless remained at an estimated 4%.

Sales of electric stoves dropped 32% between 1976 and 1978 to 99 000 units, fridges 28% to 101 000, freezers 41% to 55 000, and washing machines 18%, to 79 000 units. This is directly attributable to the recession, while the white goods market (over 60% of domestic appliance sales) for items like fridges (92% of households have one) and electric stoves (93%) has long been saturated. Normal replacement demand has waned as lifestyles have been stretched, adding to the problems of the industry. The only real potential for expansion is the black market, but this depends on the large scale electrification of urban townships. This won't happen overnight and, anyway, the industry reckons that when it does main demand will be for small items like kettles and irons, with only secondary importance being attached to major purchases like fridges and stoves.

Immediate prospects for growth are therefore lacking, although the long-term trend towards a servantless society holds out promise for increased sales of washing machines, tumble dryers and dish washers (Tumble dryer sales have doubled to 14 000 since 1976.)

Best by these woes, the Domestic Appliance Manufacturers Association (Dama) has applied the Board of Trade and Industry (BTI) for increased import duties to "ensure the industry's long term survival", in the words of chairman John Turner (MD of Barlows Appliances). Turner insists the application is in the national interest, though consumers are likely to be sceptical. The duty increase means the price of an imported better class 300L fridge will rise from R380 to R435.

Dama maintains imports cost SA 2 600 rand (out of 9 600) in direct employment and component manufacture, while increased imports in 1978 alone cost 650 jobs. Closures in 1978 resulted in the retrenchment of another 1 300 workers - 18% of the industry's workforce.

Greater tariff protection will protect employment within the industry and stimulate growth, says Turner, who avers that dumping from mass producers like Italy and Japan is occurring. Duty increases applied for entail formulae that make it more expensive to bring in cheaper goods (in this case fridges, freezers and domestic air conditioners), the stock BTI answer to dumping. While Turner alleges "apparent" dumping, he is hard pressed to substantiate the claim. Anyway, he reckons, the increases will take inflation into account since these duties were last raised in 1972, and will discourage future dumping.

The other application is to raise the duty on tumble dryers from 3% to a straight 25%. No dumping alleged here, it would seem, just protection of local manufacture, with Barlows and Hoover the only producers on the R2 8m annual market.

Reaction from importers and chain stores is predictably harsh. Pick n Pay's Ig Ferrera sees it as a blunt attempt to protect an inefficient industry and a stifling of free enterprise. OK's appliance merchandise executive, Arthur Solomon, agrees. "Keeping imports out means keeping the latest technology out and leads to complacency among manufacturers." Other importers go along with this and add that the effect is inflationary. "When duties on washing machines were increased, manufacturers raised prices. Hardly a coincidence," says Kaiz International (importers of Hitachi and Indesit appliances).

Turner admits the industry is generally unsophisticated and ill-informed. "Why else would it be where it is?" he asks, adding that latest measures are a positive step to put matters right. Further investment of R9m for local production of components like compressors and evaporators would create 850 jobs and make the industry self-reliant (about R12m is spent annually on imported components), he calculates. Without guaranteed protection there is however little likelihood of this investment for a relatively small market.

If there is dumping, BTI will have to act quickly or not at all. The big question, though, is whether the consumer is being asked, once again, to subsidise local manufacturers' inefficiency.
Using a strong bridgehead to develop its total concept of waste management in that country and, eventually, in Europe.

More recently, the entire shareholding in Reef Waste Paper and its associated companies was acquired. This signals the beginning of an extensive recycling programme over the long-term and should benefit materially from D & H's European expertise and technology.

A new dimension to the engineering division was added by the acquisition of the entire share capital of Rand Founders, in Johannesburg.

Despite available business being at a low ebb, and in the face of keen competition, Savage & Lovemore increased profits by 66%. At the same time considerable effort was put into developing and consolidating its coal division. In addition, coal properties were explored (and) developed, and new properties acquired.

Chairman John Hodgson reports a dramatic improvement in the engineering division since the beginning of the year. D & H was awarded a major contract for the coal handling and washing installation at Iscor's new Grootegeluk mine, and major contracts, particularly in the Transvaal and Eastern Cape, have been obtained by the civil engineering subsidiary.

These contracts include railway work at Bapsfontein and highway construction and extension work at Jan Smuts airport. While the structural engineering division has a full order book, the position of the manufacturing division is not strong and there is as yet no upturn in the building industry.

Despite expectations of a difficult year ahead, the volume of shares traded last week was the highest recorded since November 1978 and the share price reached a new high of 330c. The recent rise in the price has brought the dividend yield down to a relatively unattractive 6% compared to a 6.6% average for the sector.

However, the dividend is amply covered and there should be another increase this year. Technically, the best buying opportunity has been missed by about 10 weeks' but advantage should be taken of any decline in the share price with a view to long-term investment.

John Moon

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**Financial: Year to December 31, 1978.**

- **Earnings:** Long and medium term, R16.7m; net short term, R9.7m.
- **Debt equity ratio:** 70.9%. Current ratio, 1.7.
- **Group cash flow:** R20.1m.
- **Capital commitments:** R6.7m.

**Share market:** Price 325c, 1978-79 high 330c, low 180c. Trading volume last quarter, 141,000 shares. Yields: 15.1% on earnings, 5.8% on dividend.

**Cover:** 2.6 PT ratio 6.6

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**Capital structure:**

| Capital structure | Im ord/s of A shares | Total capitalisation | R6.6m |
--- | --- | --- | ---

**DARLING & HODGSON**

**Spreading the risk**

**Activities:** Industrial holding company with subsidiaries operating throughout SA, Europe and North America, primarily in the field of construction and civil engineering.

**Chairman:** John Hodgson

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**Financial Mail March 23, 1979**
Share market: Price 235c (1978-79 high, 245c, low, 170c, trading volume last quarter, 16,000 shares) Yields 22.9% on earnings, 8.1% on dividend Cover 2.8 PE ratio 4.4

<table>
<thead>
<tr>
<th>Year</th>
<th>Return on cap %</th>
<th>Turnover (Rm)</th>
<th>Pre-tax profit (Rm)</th>
<th>Gross margin %</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Dividend amount (c)</th>
<th>Net asset value (c)</th>
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</table>

Return on cap % 24.5
Turnover (Rm) 170.2
Pre-tax profit (Rm) 2.3
Gross margin % 16.0
Earnings (c) 19.9
Dividends (c) 19.0
Net asset value (c) 344

A turnaround in the domestic and custom-made plasticware division accounted for the profit improvement in Metal Closures for the year to December 31. And Chairman Dawie Marais seems to expect a further improvement this year. He anticipates increased demand and there should be improved plant utilisation.

A pleasing aspect is that profits appear to have bottomed. And, while neither turnover nor earnings have reached previous peaks, dividends are higher at 19c.

Metal Closures uses the board recommended a higher 12c (10c) final dividend because of the satisfactory trading results and the liquidity of the company. The current ratio improved to 2.3 (2.2) while cash on hand was little different at R2.7m (R2.8m). The dividend was covered 2.8 (2.9) times by taxed earnings.

The pre-tax profits of the dividends were

Dataflex

METAL CLOSURES
Opening growth

Activities: Manufactures metal closures and tubes, plastic crates and domestic plasticware, and sells closure sealing machinery. Metal Closures (UK) owns 76.9% of the equity.

Chairman: Dr M D Marais, managing director R A Upton.

Capital structure: 2.6m ordinary shares of 50c per share, 99 450 7% cum red prefs of R1 Market capitalisation R61m.

Financial: Year to December 31 1978: Borrowings: long and medium term, R120 000. Net cash: R2.3m. Debt equity ratio 3.4%. Current ratio 2.3. Net cash flow: R1.7m. Capital commitments R891 000.

The packaging division includes metal closures, plastic crates, metal tubes and closure machinery. In real terms, sales were marginally higher after falling in 1977, helped by the good acceptance of the Stilecap range of closures. Productivity improvements and tight controls offset cost increases.

The general division, manufacturing domestic plasticware and retroreflectors, lost R82 000 before tax in 1977 after a R202 000 profit in 1976. This stemmed from reduced margins because of higher costs and excess injection moulding capacity in the industry. Costs are still rising and there is still excess capacity. But the agreement with Hart for the sole distribution of Metalco plasticware and improvements in the custom moulding division and sales of crates boosted profits and 1977's operating loss was reversed.

During the year a further 11 300 of the 7.5% prefs were redeemed, leaving 99 450 still in issue. These will be redeemed up to December 1985. R200 000 of the 6.75% debentures was also redeemed, leaving R120 000 outstanding.

1978 was a turnaround year and higher profits can be expected this year if productivity improvements and tight con-
NORTHERN ENGINEERING

Rationalisation potential

Activities: Engineering holding company with four main trading subsidiaries: International Combustion (power and process industries); John Thompson Africa (boiler and effluent plants); Cummins Diesel (automotive and industrial), and Thomas & Taylor (Fiat-Allis construction and earthmoving machinery). Formed last year through the merger of Icall and Clarke Chapman. Ultimate holding company is NEI (UK) Limited.

Chairman: L G Abrahamse, managing director, P H Sizemore

Capital structure: 5m ordinary shares of 50c each; 269 000 8,75% convertible red cum preference of R1 each. Market capitalisation: R17,3m


Share market: Price 345c (1978-79 high, 375c; low, 285c; trading volume last quarter, 56 000 shares). Yields 20,3% on earnings; 8,1% on dividend cover. 2,5 PE ratio: 4,9.

Icall and Clarke Chapman have many activities in common, particularly in the field of industrial watertube boilers. So there is considerable scope for rationalisation. But, since their merger to form Northern Engineering (NEI) was consummated only last July, it is too soon to expect other than some modest benefits.

Projects are characterised by heavy capex in certain areas and by the sizeable investment in Apex International Valves, combined turnover of R65,3m was 10% higher and pre-tax profit rose 25,8% to R5,6m. That earnings retreated by 9% to 70c a share is explained by the rise in tax from abnormally low 12,2% of pre-tax profit to 33,5%. Investment allowances were reduced and virtually no benefit was derived from tax losses.

Nevertheless, with liquidity not expected to prove troublesome, an 18c final dividend brought the total up to a 2,5 times covered 28c to honour promises made at the time of the merger.

Both Icall and John Thompson had good years, more than compensating for an operating loss of R223 000 from Thomas & Taylor. The latter is, however, expected to break even this year following continuing pruning of overheads and tailoring of resources to market demand.

Icall contributed 51% of group operating income on the back of a satisfactory order book, 30% of which is export-oriented. The outlook for the current year is even better, although work for the Airdrome tub manipulation plant is, so far, insufficient after June.

Thompson enjoyed record orders last year and shipped in 34% of group income. Substantial orders were secured in the first few weeks of this year, with 31% earmarked for export, mainly water-tube boilers for the sugar industry.

Cummins Diesel surged ahead on the crest of a long-awaited recovery in its major markets — heavy truck engines and the mining industry — and contributed 18% to the total. There is one small cloud on its horizon. That is the effect the new diesel engine plant will have once it becomes fully operational in 1983. In the short-term, it should benefit from penetration of the open cast mining market through the recent introduction of a 1 600 hp engine.

The new addition to the group, Apex Valve (50% interest), operated at a loss of R200 000. With the move to new premises in Vereeniging, completed in December, and with a much healthier order book, the pipeline now appears unblocked and profits should start flowing by year end.

It is unfortunate that NEI's first set of accounts should be marred by less than adequate disclosure of all interest-bearing debt. On the surface, borrowings rose from R3m to R4,3m. But interest paid was R1m, suggesting a 23% interest rate. The answer lies in creditors of R17,4m, which contain an undisclosed R11m of bills bearing interest between 8% and 10%. Since there are no notes to this effect, the traditional calculations of debt-equity ratio and return on capital employed are meaningless. Taking the bills into account, gearing is 68,9% and return on capital is 17%.

Given chairman Len Abrahamse's assessment of the rationalisation benefits yet to come and encouraging level of orders in the main divisions, his forecast of a "modest improvement" appears overly cautious. With a well-covered and secure 7,8% yield, the share merits attention as a yield-sweetener.

John White

DATES TO REMEMBER

*Last day to register for dividends:
Friday March 30: AECI 12c; Adcock 55c; Angold 150c; Ahamunt 520c; Bateman 8c; Bracken 24c; D&H 14c; Fedmns 14.5c; Fed Mynbou 35c; Fndl Ind 6c; General Mining 39c; Group Five 12c; Harmony 53c; E Hadden 16c; Horton's 6.5c; Invest Club 6c; Khydro 32c; Leslie 14c; Liberty Hold 10c; Liberty Life 56c; Matheson & Ashley 7.5c; Natal Chemical 3c; Rembrandt Group 13c; Rembrandt Control 9.5c; Rhod Cables 9c; St Helena 125c; Tsb 8.1c; Tegkor 8.1c; Wilmorths 7c; Winkelhaak 80c

*Meetings:
Wednesday March 28: BTRc Kohler; Thursday March 29: Pintex, Uncon & Lebaford

All meetings are in Johannesburg unless otherwise stated.
maar bekommend

Toyota Sheun Atamidis

Year Volume: Art 1979 - 9

Friedrich, 1779
NOK antwoord kritici

MET die nuwe dieselenjinprojek by Atlantis in Wes-Kaapland is daar geen sprake dat sekere vragmotor- of trekkervervaardigers bevoordeel gaan word nie, het die senior hoofbestuurder van die Nywerheids-Ontwikkelingskorporasie (NOK), mnr. Marius de Waal aan RAPPORT gesê.

Hy het kommentaar gelewer op die kritiek wat daar teen hierdie projek sedert die aankondiging daarvan uitgespreek is en bygevoeg dat hulle nog niemand gekry het wat teen die vestiging van so 'n projek gekant is nie.

Daar is wel verskille oor die detail, wat volgens mnr De Waal tot groot hoogte uit 'n gebrek aan inligting spruit. Daarom is die NOK op die oomblik besig om met almal te skakel om duidelikheid te verskaf.

In die trekkermarkt word daar gese dat Massey-Ferguson en Landini 'n onregverdige voordeel gaan het omdat albei se trekkers deur die Perkins-enjin aangedryf word.

Dit is nie korrek nie, sê mnr De Waal. Tot dusver word alle trekkers gearchiveer en al ingevolge. Die plaslike vervaardiging van die enjin sal almal nou verplig om plaslike te monteer en 'n maatskappy soos Massey sal diezelfde probleem as al die ander hê.

Aan die vragmotorkant kan aangeneem word dat die nuwe 400-roeks enjins van Daimler-Benz die gewildste gaan wees. Hierdie enjin het hom reeds in Europa as 'n base spaarsame enjin bewys, maar tot nog toe word hy nie in Suid-Afrika deur Mercedes-Benz gebruik nie.

Mercedes-Benz sal ook na hierdie enjin moet oorsake en die nodige aanpassings doen.

Mnr De Waal het dit beklemtoon dat hierdie nuwe 400-roeks van Daimler-Benz geen prototipe-enjin is nie en dat hy homself reeds met groot welslae in Europa bewys het.

Wat die projek betref, is daar wel probleemgeheide, sê mnr. De Waal Maar hy glo dat dit metertyd uitgevoeg sal kan word. Daar is byvoorbeeld die kwestie van ratkaste en agterasse, waar daar dringend rasionalisering sal moet plaasvind. En dit sal 'n groot ingeneurskasie verg.

Dan is mnr De Waal bekend om die vermoë van die Suid-Afrikaanse onderdelebedryf. By Atlantis gaan die dieselenjin-aanleg net die vry hoofdopmomente van die enjin verwaardig, wat rofweg gelyk is aan een derde van die koste van die enjin. Die ander twee derdes sal deur die privaat sektor gelewer moet word.

Die projek sal egter saamval met die vyfde fase van die plaslike inhoudsprogram vir passaasermotors en die eerste fase van die plaslike inhoudsprogram vir ligte handelsvoertuie.

Dit sal geweldige druk op die plaslike onderdelebedryf plaas en mnr. De Waal is bekend om dat hier 'n knelpunt kan ontstaan.

Daar bestaan egter by hom geen twyfel oor die langtermynvoordele van die vestiging van die dieselenjinbou-bedryf in die land nie. Daar sal 'n enorme besparings aan buitenlandse valuta wees, sowat R190 miljoen per jaar in die begin.

In die huidige politieke klimaat sal dit aan die land groter onafhanklikheid gee deur invoer met plaslike vervaardiging te vervang. Daar sal 'n inspanning gegee word vir die verdere ontwikkeling van plaslike bedrywe. Minister Verwey en ander skryw in 'n recente assumptie dat die bedrywes sal ten beëindiging van die 10 miljoen R60 miljoen uitgebrei of van meet af gevestig moet word.

En dan kan aangeneem word dat mnr De Waal net na die enjinbou verwys.
PLANNE vir die vestiging van 'n gesofistikeerde ratkasbedryf in Suid-Afrika is ver gevorder, het RAPPORT verneem. Hierdie bedryf sal teen 'n koste van waarsynlik meer as R20 miljoen deur twee groot myngroepse ontwikkel word as altes reg verloop.

Die twee myngroepse is General Mining, wat na die ratkaste vir swaarvoertuie kyk, en Anglo American, wat deur sy filiaal, Sigma, na ligte handelsvoertuie en passasiersmotors kyk.

Hierdie ontwikkeling is 'n registreeks uitdipper van die vestiging van die dieselenjinkoneuprojek by Atlantis naby Kaapstad en sal die land nog onafhanklik maak van die bineland.

Terselfdertyd is verneem dat planne vir die plaaslike vervaardiging van agterasse in Suid-Afrika ook ver gevorder is en dit kan wees dat General-Mining ook hier sal deelneem.

Atlantis gaan waarsynlik 'n getreeky ook baie nodig hê en daar is sprake dat Dobryl baie ernstig hierna kyk.

In die swaarvoertuigbedryf is daar ernstige bedenkings oor die aanpassing van Atlantis se enjins by al die verskillende modelle op 'n Suid-Afrikaanse mark soos dit ratkaste en agterasse beheer.

Een van die oplossings tot hierdie probleem is die plaaslike vervaardiging van ratkaste en agterasse in ooreenstemming met die verskillende soorte enjins wat by Atlantis vervaardig word.

Planne vir die vestiging van 'n ratkasbedryf deur die private sektor is glo verder gevorder.

Mnr. De Waal se oor dat teen einde 'n plaaslike inhoude van 100 persent vir die dieselenjinkis binne drie jaar ná vestiging in Atlantis te kry, die ingewikkelde dieselenjinkoneuprojek ook plaaslik vervaardig sal moet word.

Die voordele van standaardisasie sal klaarblyklik vir die land onenigend baie beteken omdat daar met die nuwe projek meer realistiese modelreeks sal wees.

Daar sal byvoorbeeld met dertiende modelle met altesame 21 verskillende enjins wees, teenoor die huidige 220 verskillende enjins in die mark (lees berg op bl 3). Die voordele wat dit sal bring soos die ondernemingsvoorraad betref, is klaarblyklik.

Met beter beheer oor die vervaardiging van plaaslike enjins, kan ook aangeek word dat die moontlikhede van modelverandering net vir die onthale van verspreiding voortaan kleiner sal wees.

Oor die keuse op die Perkins- en die Mercedes-enjins het mnr. De Waal gesê dat diepegaande studie van die uiteindelike besluit voorafgegaan het.

Die voorleggings is op vergelyklike gebiede gegrond, wat vooraf met die hulp van die bedryf geformuleer is. Ná 'n deeglike evaluasie is op Perkins en Mercedes besluit omdat hulle die goedkoopste vir die betrokke marksektor gebou kan word.

Albei enjintypes is ook bewese produktye wereldwyd. Die twee firmas bekle de eerste en tweede plekke in die wereldraanlits van sonhappe.

Die keuse van die enjins sal dus ook die minste
4. Central Proc
(a) Product
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and all
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Samuels
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(b) Econom
(i) This would put
labourers' monthly income
on about R175 — com-
pared with R185,16 for
the latest minimum living
level calculated by the
Johannesburg Chamber of
Commerce for a Soweto
family of five, or R197,82
for the latest Household
Subsistence Level for a
Soweto family of six.

(ii) Increases demanded for
higher paid workers are
lower, tailing off with a
14 percent rise across the
board for artisans above
the base rate of their
category.

(iii) The Council of Mining
Unions has submitted de-
mands for a 12.5 percent
rise in the mining indus-
try.

Decisions to be made by all
d how much? (Consumer, price,
How? (Production theory),
Investment theory and public
(Location theory), Conservation
Economies; planned collectivist

5. Circularity
Circular flow
course branch
demand) and
behaviour —
banking)

Frontiers (transformation curves)
al device revealing the core
Interdependence of economic life,
ience; opportunity costs,
ve or Marginal Cost; technical
y; Law of Diminishing Marginal
erstanding of population problems

300000
workers

Labour Reporter
All 300000 workers in the
metal and engineering in-
dustry will earn more
than minimum living
wages from July if the
metal trade union's de-
mand for a 28 percent pay
rise is granted.
ALUMINIUM
Casting ideas

The aluminium die-casting industry, badly hit by the economic downturn, is making attempts to promote wider use of aluminium in the industries it serves (Biggest of these is the motor industry where, unfortunately, a local content programme based on mass works against use of lightweight parts.)

Nevertheless, canvassing of the whole industry, from Alusaf down to small converters, has started for the creation of an Aluminium Development Association (to give it a provisional name).

"It is time to co-ordinate the industry and a central body is badly needed," says Aluminium Die Casting Association chairman Jan de Jonge.

Its aim would be to boost local usage (per capita consumption lags badly behind more highly industrialised coun-

dtres) and undertake R&D in time for expected big switches to lighter vehicle components.

De Jonge’s six members (Dialoy, Lauf Luminate, NF Die-Castings, Karl Schmidt, Silverton Engineering, Zealous Pressure Castings), share almost 70% of the R25m annual die castings market. With 40 other converters, they have had a lean time for the past three years with production still only about 60% of capacity. Meanwhile NF, a prominent Consolidated African Mines subsidiary, was recently taken over by Associated Engineering and Karl Schmidt.

De Jonge, however, sees better times ahead “Demand for aluminium in cars, buildings, engineering, domestic appliances and electricity distribution will increase,” he says. “The average car has 25 kg of aluminium but using it for the five wheels will add another 37.5 kg. I can see 75 kg or more going into cars.”

He points out that in the US the usage of aluminium in cars between 1965-75 rose 2% annually. Now it is running at 15%.

The pace of change to lighter components will largely be dictated by head offices of the international car makers. Higher local consumption will, however, be helped by a busier building industry, electrification of more townships and a bigger demand for home appliances as higher wages bring more families into the white goods net.

Annual per capita consumption of aluminium is only 3.1 kg compared with 21 kg in the US, 14 kg in West Germany and 11 kg in the UK. India’s usage, typical of developing countries, is 0.4 kg.

Even though SA has a long way to catch up, the rapidly rising price of the metal (FM March 16) could put a damper on local growth. Alusaf production price is R1 211/t (up 40% on mid-1976) with secondary metal — or scrap — prices rising proportionately faster.

De Jonge says a shortfall in secondary metal, prime offsets and recycled scrap making up the main feedstock of die casters, is causing the gap on virgin metal to narrow. “There used to be a 50c/kg difference. Now it is nearer 30c,” he says.

More aluminium is being used in mining and defence, putting pressure on small converters, who could well need a forum such as the proposed Aluminium Development Association if a boom comes.
GROUP 5
Cutting it fine

Activities: Holding company with subsidiaries principally engaged in civil engineering construction. Subsidiaries include Basil Read (construction), CMGM Group (concrete), McLaren & Eger (piling); and Group Five Projects (project management)

Chairman: J J A McLaren.

Capital structure: 9.2 million ordinary of 50c.

Market capitalisation: R21.6m.

Financial: Year to December 31 1978

Borrowings: long and medium term,

R5.5m, net cash: R3.4m. Debt/equity ratio: 55.2%. Current ratio: 1.2. Net cash flow: R8.9m. Capital commitments: R6.5m

Share market: Price 235c (1978-79: high, 240c; low, 115c; trading volume last quarter, 149 000 shares). Yields: 20.2% on earnings; 8.5% on dividend.

Coverage, PE ratio: 2.4.


The group's decision to chase volume at the expense of margins has led it to contract far afield and involve itself in the unfamiliar area of project financing. This, and the broadening of the operating base by several acquisitions has had a debilitating effect on the balance sheet and is testing management to the full.

In boosting contracts in progress to R29.2m (R15.9m), Group 5 has had to tender outside SA and a fair proportion of work in hand is now in adjacent territories and Malawi. Because of the distances involved and delays in communications, these contracts have necessitated self-sufficiency in the form of new plant and project management. Thus, together with the cost of financing the higher turnover, the R2.4m spent on acquisitions — and in some instances the provision of finance in order to obtain work — has considerably depleted company coffers. Cash at year-end dropped to R9.9m (R17.7m) and now stands at R7.5m.

Despite a 12% increase in turnover, low margins had the effect of reducing gross profit by 24% to R5.1m. However, thanks to a tax rate of 21.9% (34.9%) and higher contributions from minorities, earnings improved by 8% to 47.6c. Out of this, management was confident enough to pay a higher dividend of 20c (10.5c)

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The issue of 45c per copy.
DUNSWART
Rolling recovery

Activities: Steel and sponge iron producer Genmun holds 46,68% of the equity, Volkskas Nominees 12% and Sanlam 10%.

Chairman: G Clark; managing director K T Brightman

Capital structure: 4,8m ordinaries of 50c; 100 000 6% cum prefs of R2, 300 000 6% 2nd cum-prefs of R2 and 200 000 10,5% cum red prefs of R1 Market capitalisation: R5m

Financial: Year to December 31 1978 Borrowings: long and medium term, R15,8m, net short term, R2,3m Debt/equity ratio 102,6% Current ratio 1,7 Net cash flow: R6,5m. Capital commitments: R2,8m.

Share market: Price 105c (1978-79 high, 137c, low, 38c, trading volume last quarter, 163 000 shares) Yield 7,9% on earnings, PE ratio 12,6.

Now that the R16m modernisation and expansion programme is 75% complete, the plant is operating more efficiently and

Dunswart's George Clark . . . problems resolved soon

Dunswart again looks viable Ken Brightman and his team have sweated blood to boost physical production, 33% to 820 000 t and to achieve a R3m gross profit turnaround. This was attained despite the sale of the stake in Standard Brass, which previously yielded at attributable R1,4m, and the heavy interest bill on the R12,6m of 14% debentures.

<table>
<thead>
<tr>
<th>78</th>
<th>76</th>
<th>77</th>
<th>79</th>
</tr>
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<tbody>
<tr>
<td>Return on cap %</td>
<td>15 2</td>
<td>16 8</td>
<td>—</td>
</tr>
<tr>
<td>Turnover (Index)</td>
<td>123 2</td>
<td>139 6</td>
<td>150 4</td>
</tr>
<tr>
<td>Gross profit/loss (R000)</td>
<td>5 064</td>
<td>5 546</td>
<td>(86)</td>
</tr>
<tr>
<td>Earnings (loss) (c)</td>
<td>55 5</td>
<td>47 5</td>
<td>(4 6)</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>20</td>
<td>20</td>
<td>—</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>361</td>
<td>427</td>
<td>338</td>
</tr>
</tbody>
</table>

There are still production bugs which, for investors, means more profit potential in plant improvement. Problems with the new section mill mean that capacity for rolled sections this year will be only 240 000 t, against the original forecast of 270 000 t. Still, this is a 19% improvement on the 202 000 t achieved in 1978 and rolled sections are Dunswart's most profitable product.

Transformers, furnace electrics, and soak pits are all being improved as part of the R16m capex package. In addition, future cash flow will be used to finance a R2,5m air pollution control programme and to eliminate despatch bottlenecks. Only the anti-pollution expenditure will not boost the P&L.

Dunswart did not have a full year's benefit of the May and September steel price hikes, but I understand subsequent cost increases largely offset these. This June's anticipated steel price increase and volume throughput will have a more important bearing on profits this year.

Export volumes doubled and prices "improved significantly" last year, with the result that export revenues increased from R4m to R11m. While similar export growth is not expected this year, local demand and, hopefully, prices should improve, especially if the Price Controller decides to help Iscor cut its losses.

One potential snag is the possibility that the Receiver may tax an amount of R2,1m received as compensation for an inadequate deducting plant in 1976. Dunswart is contesting moves to tax the amount and has not made provision for the potential liability of R883 000, which is currently in contingent liabilities.

While the balance sheet does look stronger, Dunswart is not liquid. Total net debt rose 7% to R18m (R16,9m) which is 2,8 (3,7) years' net cash flow of R6,5m (R4,5m). The debt equity ratio fell from 114% to 103% and if interest and lease cover by pre-lease gross profits is slim at 1,2, at least it is positive. The debt equity ratio can only benefit if options are exercised and debentures surrendered. While stocks and creditors declined 6% and 3% respectively, debtors rose 31%, reflecting a big year-end drive
to sell off stock.

It would not be surprising if earnings doubled this year to 16c, in which case, if Gemmin's dividend payout ratio is any guide, an 8c dividend will probably be paid. This puts the counter on a prospective yield of 7.6%. Dunswart options at 46c anticipate a share price of at least 146c by March 1982 at the latest — a gamble but by no means an outrageous one.

Gemmin holds the vast majority of the debentures and looks set to do well by them. The 14% coupon now looks very sweet, though Dunswart's borrowing credibility is still not what it was and it is doubtful that Gemmin could make a handsome capital gain yet by selling off the stock.

The options are not linked to the debentures and can be traded and taken up quite separately. If all 6.3m options are exercised, Dunswart's issued share capital rises from R4.8m to R11.1m. Options can be taken up on prescribed dates, either by surrendering a debenture or payment of R1 in cash. No one will surrender a 14% debenture until the dividend on the larger number of ordinary shares reliably exceeds 14c, although it is possible options will be exercised for cash before this is done.

In the meantime the option warrants would cost the company R1.6m, which would presumably require attributable profits of about R3m against last year's R401,000. This level of profitability should be attained before long.

2. The completed application (see para.) should be handed in to the Auditors Report (see para.) before the prescribed dates.

3. The completed Personal Statement (see para.) should be handed in to the Auditors Report (see para.)

4. The applicant will be informed of the result

5. The applicant is required to inform the Director of the Executive of the result

6. If the applicant is successful the offer will be made.

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INSTRUCTIONS FOR APPLICANTS

To receive the latest information, 8001, to receive the latest information, to the Head, Department of Speech and Drama, Orange Street, Cape Town, prospective candidates for these courses should address enquiries direct. Prospective candidates for degree courses should also address enquiries direct. All local courses courses referred to in this documentation are temporarily suspended, pending revision and reorganization for official recognition.

TEACHING COURSES

SPECIALIST ACTORS' DIPLOMA IN SPEECH AND DANCE

PERFORMER'S DIPLOMA IN SPEECH AND DANCE

DEPARTMENT OF SPEECH AND DANCE

UNIVERSITY OF CAPE TOWN

IMPORTANT NOTE:
...changing the mix

UNION STEEL

Interesting spec

Activities: Manufacturer of mild and special steels, aluminum conductor and cables. Veldmaste, a wholly owned subsidiary, makes parts for farm implements. Iscor has effective control via the pref shares and Ame has a 13% stake.

Chairman: Dr M D Marais, deputy chairman Professor H J Samuels, managing director JC de Waal.

Financial:
- Year to December 31 1978
- Borrowings long and medium term, R17,3m, net short term, R19,3m Debt equity ratio 83.8% Current ratio 1.76
- Net cash flow R9,5m* Capital commitments R1,5m
*Includes deferred tax R3,2m

Share market:
- Price 46c (1978-79: high, 59c; low, 21, trading volume last quarter, 336 000 shares). Yields 28.6% on earnings, 11.9% on dividend. Cover 2.4. PE ratio 3.3

Usco is wriggling free of the debuting clutches of the Price Controller by switching as fast as it can from milo to specialised steels. The former are price controlled, the latter not, and Usco is the only local supplier in this highly strategic industry.

The switch, as well as improved plant utilisation, led to last year's big profit surge. While steel tonnage sold rose only 14% to 206 000 t, gross profit rocketed 74% to R10,3m thanks largely to burgeoning demand for springs, tool, tempered and armoured steels from the motor and mining industries and the public sector.

The profit surge was all the more remarkable considering that profits in 1978-79 were R2,9m.

The cash structure: 29m ordinary shares of 50c

Usco's problems

In addition, demand for specialised steels shows no signs of letting up. So, even though management forecasts only slightly improved steel profits this year, they will probably be appreciably better.

Further good news is that the castings division, against all expectations, is performing better. And now that the cable and aluminium divisions have been moved from Richards Bay to Vereeniging, overheads in these depressed areas should be lower, and profits better. However, now Escom's national grid is complete, the aluminium conductor division will recede in group importance.

The Richards Bay factory still has to be sold but capital write-offs are not expected. Farm implement maker, Veldmaste, is also improving, so prospects look brighter than the annual report suggests.

Debt equity has been reduced from 90% to 84% but R9,3m of long-term borrowings of R26,6m fall due this year. I understand that this presents no problem as Usco has R1,1m of unused facilities and net cash flow was R9,5m.

The return on capital of 12.4% (7.4%) and interest-lease cover of 2.5 (1.3) are both improved. Repaying borrowings and "consolidation" remains group policy. Apart from maintenance, the intention is to devote capex only to further diversification into special steels and cables.

Usco is highly geared to the overall economy and short-term prospects have seldom been brighter. The current yield makes it interesting.
DATES TO REMEMBER

Last day to register for dividends:

Friday April 27: Cons Gold 6.13c, Durwyn 3c, ETC Cons 1.82c, General Optical 4c, MTD Mangula 11.89c, Panafic 3c, Rhodesian Cement 1.90c

Meetings:

Monday April 23: Standard Brass, Toyota, Trafal, UCI
Tuesday April 24: Anglo Alpha Cement, Sanlacoor
Wednesday April 25: Dunswart, Field Ind (Sandown), Gefco, Gough Cooper (Randburg), HGX, Metair, Msaui, New Kleinfontein, Palamin, Uimon Corp.
Thursday April 26: Afrikander Lease, Apex, East Dagga, Elands, Roombre, SA Land, Southvaal, Union Tr, Vaal Reefs, Vogels.
Friday April 27: Ass Manganese, Diroys (Cape Town), Eriksen, Foschini (Parow East), E Haddon, Lefic (Parow East), Nectus (Windhoek), SA Board Mills

All meetings are in Johannesburg unless otherwise stated.

DEFY

Bottoming out

Activities: Manufacturers of domestic appliances, heating elements for industrial and domestic use, and vitreous enamel baths

Chairman: H C Kuper; managing director, T W Tucker

Capital structure: 12.5m ordinary shares of 50c each Market capitalisation R10.6m

Financial: Year to December 30 1978

Borrowings: long and medium term R2.7m, net short term, R7.5m Debt equity ratio 50.4%, Current ratio 1.5, Net cash flow R1.3m Capital commitments R86 000

Share market: Price R5.5c (1978-79 high, 100c, low, 53c, trading volume last quarter, 31 000 shares) Yields 5.5% on earnings PE ratio 18.0

Return on cap % 13 20.2 12.5 11.8
Turnover (Rm) 35 41 41 63
Trailing PEG (Rm) 2.7 4.3 2.8 3.6
Gross margin % 7.7 10.6 68 58
Earnings (c) 9.3 18.5 6.5 4.7
Dividends (c) 9.4 9.4 4.0 nil
Net asset value (c) 145 156 159 161

Economies resulting from the acquisition of the domestic appliance division from South African General Electric, together with improved margins, turned Defy's loss in the first half into a profit for the 12 months to December 30 1978. The acquisition added refrigerators, freezers and housewares to Defy's range of products, and increased turnover by about 45%. Part of the rationalisation programme has been completed through consolidation of two branch offices and warehouses. But rationalisation of manufacturing has not yet been fully implemented. The full effects of this are expected to be reflected in this year's results, and directors are cautiously optimistic that there may be some modest growth in the future.

The bottoming of the consumer durables market was felt in early 1978, following a three-year decline. Throughout the decline, Defy held its share of the market, and continued to dominate in the electric stoves. The home laundry and air-conditioner sector of Defy's business also commanded a strong position.

Products introduced during the last quarter include a new fan oven, twin-tub washers and microwave ovens. All have been well received on the market. Exports of baths, mainly to the Middle East, while producing low margins, were maintained at a steady level. Defy also sells appliances to African countries, but exports account for less than 10% of turnover.

The high level of imports of refrigerators and washing machines, mainly from Japan and Italy, is still causing concern to Defy. However, representation to government authorities has been made and the company is hopeful that this will receive attention and action.

Although earnings for the year fell from 6.5c to 4.4c a share, 1.6c of the reduction is accounted for by the issue of an additional 3m shares, out of which 2.9m were issued to SA General Electric.

Although setting a bull trend at the beginning of the year, the share's price performance has been disappointing. However, since it has just moved above R2.0c, a short-term buy signal is indicated. Despite the bull trend, long-term investment should be delayed until the extent of the company's progress can be ascertained at the interim stage. — Jon Moon
Export success

Activities: Foundry operator and engineer. Main products are railway freight wagon and locomotive components. Distributes Esco earthmoving, mining, dredging, lagging and mineral processing equipment. Holding company is General Mining.

Chairman: G B Hobbs.

Capital structure: 2.8m ordinaries of 50c each. 75,000 5% cumulative pref of R2 each. Market capitalisation: R14.3m.


A major breakthrough in exports has been achieved by Standard Brass with the landing of a major contract to supply railway products to an unknown overseas destination.

The company is remaining "mum" as to the exact value of the contract, but describes it as "large" and anticipates that it will have a beneficial effect on profits in the current year. Sales resulting from the contract are to commence any time now.

While exporting on a small scale to African countries for a number of years, Standard Brass achieved its first significant export success in 1978. These orders filled spare capacity which resulted from a fall in sales to SAR, a trend which is expected to continue. The reduction in long-term contracts is illustrated by the 25% decrease in the value of orders on hand compared with the previous year.

Turnover for 1978 was fractionally higher, but in real terms the volume of business was down. Tonnage sold by the foundry was lower, but a more expensive product mix pushed the value higher. Improved sales of cast Amasteel abrasives in the first full year of manufacture helped prop up overall turnover.

On valuation, it was found that the proposed incorporation of the Standard Brass Pension Fund into the General Mining (Associated Companies) Pension Fund will not require additional funding. Therefore it has not only been unnecessary to set aside further R170,000 for improved benefits, but the R170,000 provided in 1978 has been reversed.

Last week's upward swing in the share price overcame the recent hesitation in a strong bull trend. Despite the price rise, the yield remains attractive at 7.8% and the dividend is more than twice covered by earnings. Further penetration into the export field, plus a better economic trend at home virtually ensures further growth. This share is attractive for long-term investment.

Jean Moon
Gone it alone
Gear up for
Computer men

BY STEPHEN OCHER

up to go it alone
Computer men gear
Decline of the West

The crisis which has beset the world steel industry since 1974 has accelerated a redistribution of production.

The International Iron and Steel Institute's figures for 1978 show that while total output was almost the same as 1974 (712 Mt against 769 Mt), the share contributed by the West has declined from 69.8% to 65.6%. The West's decline of nearly 23 Mt in the period is more than the total annual output of France (23 Mt), Italy (24 Mt), or Britain (20 Mt).

Both Western Europe and North America have lost ground, while the Soviet Union and Eastern Europe have shown hefty increases in total production and market share. The Eastern bloc now contributes 29.6% of the total. Africa has also increased, mainly thanks to SA, as has Latin America, though neither is very large in world terms. Asia has increased slightly, while Oceania and the Middle East are virtually unchanged.

The estimated figure has any knowledge of future events which may affect calculated figures should be amended. It must be noted that forecasts must be a good guide to the future. The statistics and projections taken into the future. The answer calculated above simply takes previous

\[ R = 1.6 \text{ million} \]

\[ V = \frac{q}{x} + x^2 \]

\[ x < q + x^2 \]

\[ q + x^2 = x^2 \]
Big SAR contract to Uitenhage

EAST LONDON — National-Standard Company of Uitenhage manufacturers of solid filler wires for gas-shielded metal-arc welding, have been awarded a R550 000 contract to supply welding wire to the South African Railways.

It is believed to be the largest single order for electric welding consumables ever awarded in Africa. The contract will run for two years and it is anticipated some 580 000kg will be supplied in that period.

The Railways is the largest single consumer of MIG welding wire in South Africa.

Mr Colin Bagnall, sales manager, said close cooperation between Iscor and the SABS helped National-Standard to win the contract. The wire is 100 per cent locally manufactured using Iscor rod and will carry the SABS mark of approval.

Mr E.A. Pearce, NSC's managing director, took steps four years ago to enter the MIG welding wire field and was the first manufacturer to obtain the SABS mark for South African MIG welding wires.

The company supplies East Cape tyre manufacturers with bead wire and the Post Office with telephone line wire. By adding MIG wire to its product range it is backing the Government's "Buy South African — Build South Africa" campaign, Mr Pearce said.

Mr Bagnall said the main advantages of MIG welding over other processes were the simplicity of the welding operation, the low cost of producing a weld, and the ability to train a welder for repetitive production work in only a few hours compared with days or weeks with alternative welding systems.

He added the quality of the weld produced was higher and did not need subsequent clean up as with other operations. For those reasons it was the fastest growing welding technique in South Africa.

He said that by producing a top quality product, the equal of imported materials, local users could be encouraged to "Buy South African", which would assist the country's balance of payments considerably.

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A PAPER ON A SPECIFIC MOTIVATION RESEARCH SURVEY.

"AUTOMOBILES — WHAT THEY MEAN TO AMERICANS."
THE world's largest
American Giant

BY STEPHEN OREFF

expands in SA
YSKOR IN VIR R14 MILJ. RAPP "27/1/99"

EEN van die land se grootste staalhandelaars is vandeesweek op eie versoek onder voorlopige likwida-
sie geplaas en 'n bedrag van byna R22 miljoen is daarby betrokke.

Die maatskappy is Otto-
Landsberg Holdings, wat die beveel tot voorlopige likwida-
siebeveel wou verkry het,
skuld Otto Landsberg als-
same R12,5 miljoen

Volgens 'n verdere peti-
sie wat deur Standard Bank
Factors ingediens is, wat
ook 'n voorlopige likwida-
siebeveel wou verkry het,
skul Otto Landsberg alte-
same R12,5 miljoen

Volgens die hoffstukke,
bestaan Otto Landsberg se
bates uit R3,1 miljoen se
vaste bates en R9,6 miljoen
se ander bates

Een van die direkteure
van Otto Landsberg, mr.
H.P.A. Staans, het in stukke
aan die hof gemeld dat die
totale bates ongeveer R20,5
miljoen is, maar dit sluit in
langtermyn-debiteure wat
verskuldig is deur 'n filiaal
ten bedrae van R7 miljoen.

Verder blyk dat die
voorraad staal en ander
produkte 'n bedrag van
R3,5 miljoen beloop, wat
deur middel van 'n nota-
rôle verband aan Yskor
verpand is en dat R4,5
miljoen se debiteure aan
Standard Bank Factors ge-
sedeer is Standard plaas 'n

realiseerbare waarde van
R2 miljoen op hierdie debi-
teure.

Standard se verder, dat
die laste van Otto Lands-
berg die bates met 'n be-
drag van R9 miljoen oor-
skry. Dit kom voor of Otto
Landsberg reeds geruime
tyd lank groot likwidades-
probleme ondervind het en

Die Meester van die
Hooggeregtshof het Vrydag-
middag vir mnr. Willie
Hannocke, besturende direk-
teur van Sane-
k
Eksekuteurskamer, en mnr.
Clive Lansdown, bestu-
ronde direkteur van Syfrets
Trust (Tvl), as voorlopige
likwidades aangestel.
Metal Scrap Scapping

Economic Affairs Minister Chris Huhne will use all his powers of diplomacy to settle the dispute between Preferia scrap metal dealer Johan Visser & Partners, who wants to export 200,000 t of scrap and Bernett Scrap Distributors. Visser received a permit for the scrap export through an administrative error and PSD.

Financial Mail, June
R1.5m plant for steel industry

'Africa first'

PIETERMARITZBURG — A R1 500 000 manufacturing plant for the steel industry, believed to be the first of its type in Africa, was opened here yesterday.

The plant, operated by Pfizer (Ply.) Ltd., was opened by Mr D R Thacker, president of Quigley Co., Inc of the United States.

Mr. Thacker said he had every confidence in South African industry and also in the facilities available to industry in the Capital.

The plant was the first of its type in Africa and would manufacture materials for the local steel industry, Mr Thacker said.
within the special steel product range. For instance, instead of simply supplying 'saw, spring steel, the company now has the capacity to make special products, with even higher mark-ups. This broadens the group's market through import substitution and greater competitiveness overseas.

Until the fuel restrictions, which have resulted in a new look at electrification, five years, but this time round it could be different. The defensive moves being contemplated are reduction of borrowings, which amounted to some R36.6m at the year end, and stocks and creditors.

With the castings division doing well, and taking all the plus factors into account, including possible tax offsets, it appears likely that the group could still achieve a 20% earnings improvement to 14.5c. With capex being restricted to removing production bottlenecks as they arise, it is likely that last year's 2.4 times cover will be maintained. So, a 6c dividend could be paid, putting the share, at 51c, on an attractive 11.8% yield.

the prospects for the aluminium and copper divisions appeared decidedly poor. Currently, the annual aluminium production is bumping along at 6 000 t, which compares with an installed annual capacity of 50 000 t. The need for rationalisation within the aluminium division resulted in the entire Richards Bay factory being moved to Vereeniging. With the decision to increase the country's reliance on electricity, it stands to reason that the demand for cable will increase, which will result in higher profit.

The copper division which used to be the country's only wire producer found itself in the invidious position of not having clients some years back when the cable companies decided to integrate backwards and produce wire themselves. This led to Usco's establishment of a cable factory, which will now come into its own with the railways decision to electrify new areas.

Despite the drought conditions gripping the country, Veldmaster, which produces agricultural discos and earth engaging equipment, has done well on the local market this year. This together with improved exports to undisclosed countries, will probably turn this subsidiary around.

The group is now moving with extreme caution, having entered an upward cycle. MD Jan de Waal tells the FM that its business cycles normally last from four to...
MANPOWER

Not building bridges

Of about 2,500 vacancies for professional engineers advertised annually, only 1,100 are being taken up according to a survey for the [Redacted] of [Redacted] Engineers.

Main reasons given for the shortfall are falling immigration, rising emigration, and a high student drop out rate.

Before the immigration rate started to drop in 1956 between 25% and 30% of engineers entering the labour market were immigrants; but by 1977 the ratio had fallen to 16% and indications by the end of the first half of 1978 show it is down to around 10%.

The study points out that if immigration is not restored to pre 1956 levels, the average local graduate in agricultural engineering will have at least one job open to him in 1980 in chemical, mechanical, metallurgical, and mining engineering about two, and in civil engineering two or three jobs.

Historically, one of every five electrical engineers registered was an immigrant, one of every four civil and chemical engineers, one of every three mechanical engineers, and one of every two mining and metallurgical engineers.

Local universities are not filling the gap. Too few students are registering for engineering courses, and of those who do only about half graduate.

Only 5% of university students take up engineering (compared with 13% in most Western nations). Very few come from the African community, women, and blacks. The report also notes the lack of bursaries available for engineering studies.

Between 1979 and 1981, the local output of engineers is expected to grow by only 40%, from 150 a year to 900.
15% oil jump won’t hit SA

GENEVA — The world’s leading oil exporters yesterday raised their price levels in a two-tier system estimated to put up the average price of a barrel of crude oil by more than 15%.

Sapa-Reuters reports that in a compromise agreement a price ceiling was set at R19.97 a barrel.

But the oil price increases will have no immediate affect on South Africa.

That assurance was given yesterday by the Minister of Industrial, Trade and Consumer Affairs, Dr Schalk van der Merwe, who said that the present prices charged in South Africa would be maintained in the immediate future.

The present SA oil price is based on an assumed average price of $15 a barrel.

Saudi Oil Minister Sheikh Ahmed Zaki Yamani and other OPEC ministers regarded the agreement on the ceiling as the most important result of the three-day Geneva conference.

Sheikh Yamani said his country — and Qatar and the UAE — would set their prices in relation to a base of $18 (R15.90) a barrel.

Steel to go up by 12 1/2% by Gerald Reilly Pretoria Bureau

The steel price has been increased by an average of 12 1/2% from today, chairman of the SA Rolled Steel producers co-ordinating council, Mr K R Rume lín, announced in Pretoria yesterday.

He said that the higher price was necessary because of constant rising input costs in the primary steel industry.

The prices of certain key raw materials and other basics were rising at a faster tempo that the general inflation rate.

Mr Rumelin said that the steel industry would sell its entire production on the local market.

There was, however, a slackness in local demand, and South African steel producers were exporting more than a third of total production.

The return on exported steel was considerably lower than on local sales, because of the country’s distance from overseas markets.

The approximate effect of the steel price rise on small cars would be R13, on medium cars R18, and on large cars R25.

Household appliances would also be affected, and the additional costs of steel in the manufacture of a fridge, for instance, would be about R2,50.

The cost of a medium-sized house would rise by about R100.

The price of South African steel was 2% lower than in Australia, 8% lower than in the UK, 7% lower than in the US, and 5% lower than in West Germany.

Steel is an important foreign exchange earner. In the past year the figure was R890 million. Iron ore export earnings were R170 million.

It is clear that our exports are regarded with suspicion.
PRETORIA — A steel price increase of 12.2 percent on average with effect from today, was announced here yesterday by the chairman of the South African Rolled Steel Producers Co-ordinating council, Mr K R Hamelin, who is also general manager of Iscor.

Speaking at the press conference at which the increase was announced, Dr Tom Muller, chairman of Iscor’s board, said the increase would have a minimal effect on the consumer price index. He gave the following examples:

- The steel content of a small car would increase by R114, that of a medium-sized car by R168 and a large car by R29.
- The price of a stove would rise by about R2, a refrigerator by R2.50 and a medium-sized house with corrugated iron roof steel windows and door frames by R60.

Dr Muller said that from Iscor’s point of view, the increase was necessitated by the continuously-rising input costs as a result of the inflation rate of more than 12 percent.

In comparison with prices in other countries, Iscor’s steel was still cheaper than in most other countries. It was essential that Iscor kept exporting steel products. If it had not maintained optimum production and kept up exports, the local price of steel would have had to be increased by more.

He said the price of steel was adjusted only once a year in South Africa compared with quarterly or three-monthly adjustments in other countries. The last increase in South Africa was 10 percent in September last year.

The price of pig iron will be increased by the same percentage as steel.

Dr H J J Reynders, executive director of the South African Federated Chamber of Industries, said the price rise came as a further blow to the recovery prospects of the economy, following the shock of the oil and other price rises.

The steel price rise would add to inflationary trends and consumer demand as well as export prospects would be adversely affected.

Mr S G Reatley, managing director of a steel-distributing company, said he did not foresee any great change to the economy.

"This rise was expected and it is about the normal time of year for a rise. I cannot predict what effect it is going to have on the man in the street, but I don't think it will be great."

Mr Raymond Parsons, executive director of the Associated Chamber of Commerce, said yesterday that Asscome would review the rise immediately. He declined to speculate on the estimate the effect it would have on the consumer.

— Sapa
Prodruktiviteit keer hoer staalpreys

Deur PAUL DE ROOK

WAS dit nie vir die reeue-beperking wat verhoogde produktiviteit daar was vir reeue beperking van 5 persent die afgelope drie jaar? Yskor besorg dit nie.

Kees weer Afrika in gewees moet vir 'n grot soek in die prysstigting van staal.

Die prys is van Vrydag 12.3 persent hoër en die nuus is met braam-gevolge gevolg deur die georganiseerde hande van nuwer kom ontvange.

Soo elke dank die Yskor natuurlik 'n handvol materielse vir sy ongewilde stap Sale-Rapport het die ongewilde gesels en die presiese van hulle aanduiding gegee het dat die prysverhoging sy min of meer as volg:

- 'n Sterk stigting in die messing- en waterwyse wat in die staalpreys gebruik word. Hierdie stigting het in die eerste pest te wyte aan die hoge inflasieprise, maar in die geval van Yskor was dit weerspieëlde deur die feit dat realistiese, hoofsaaklik koolstof- en olieprise gebruik word. Daar word ook van gesaggte dat die presiese van min of meer van die omstandighede onafhankelik was.

In totaal is dit van die hande van private instigaties nie winstgewend sal wees nie.

- 'n Sterk stigting in die prys van 'n groot deel van die aangestigte goederen wat deur Yskor in die staalpreys gebruik word - soos vuurwaste, materiaal en ferroleggings. Legt daaraan toe hoe die prys van staal teenwoordig veral vanweë die hoge energiekoste is.

Yskors van Yskor, de Tommie Muller, sy die verhooging in die staalpreys sal nie noodwendig tot gevolg het dat Yskor se "winste" drasties deur die omvatte stigting in die staalpreys van 2.3 persent in 1978. In 1979 het Yskor se winste beter gebleef.

Die vooruit is dat die "planbeesteerings" in die presiese van hulle aanduiding gegee is, saam met die prysverhoging in die staalpreys. Dit is moeilik om die gunst van Yskor te beoordeel, want die presiese van hulle is nie aan Yskor en die presiese van hulle is nie aan Yskor nie.

In die presiese van hulle aanduiding gegee is, saam met die presiese van hulle aanduiding gegee is.
Packaging

Bottling it up

Canners and bottlers, pivotal to the R10bn beer and soft drinks industries, are going ahead with price increases. Tug o’ war competitors slug it out for the R14bn container market are Anglovolar subsidiary Consolidated Glass (Consol) which holds a 100% share of the bottling market and Metal Box with a 90% share of the beverage can market.

Consol hosted its beverage container prices an average 5%-10% in June. Metal Box shortly announces a roughly 10% beverage can price increase. Both increases, state the two manufacturers, are unavoidable. Both industries are reeling under the impact of massive distribution cost increases, production, labour and raw material price increases.

MB chief Derek Jacobs says the increase is based on the 8% Iscor-announced weighted average percentage increase on timber/ material. Roughly 5% is due to steep cost escalations on labour, fuel, printing inks, etc. All these cost escalations say Jacobs, have been absorbed for the past 14 months.

Price increases can only exacerbate the can versus bottle battle, described by Consol’s GM Piet Neethling as “a fierce tug o’ war.” Bottles are out front with cost factors heavily geared in their favour. Cans’ convenience claims are undisputed but with costs averaging 30% more than on non-returnable bottles, they could well take a caning in a consumer cash conscious future.

Coca Cola senior vice president and division manager for Southern Africa, Fred Meyer says Coke cans make up 13%-15% of turnover and the ratios are unlikely to change in Europe and the US. Convenience packs have a far higher share of the market.

Sales higher

On beer cans, Metal Box’s Jacobs claims sales are running far higher. Cans make up 25% of total sales. No comment from Breweries Jacobs expects beer can growth to outpace economic growth at least three times. “We expect 8%-10% demand growth this year.” He says firmly that beverage cans now command a 35%-40% share of the total R125m-R150m beverage container market.

But bottles manufacturer Consol is sceptical. Soft drink/beverage containers make up roughly 26% of total Consol turnover of R70m. Opines Neethling, “The present growth pattern — 10% on returnables and at least double that on non-returnables — is likely to continue unless the economy gets the wind from the front.”

He has reason for confidence. Soft drinks sold in bottles make up 91% of total soft drinks sold, cans have a meagre 9% share. Cans, costing an estimated 2c presently as against 8c for a non-returnable beer, are unlikely to reverse the position.

It all boils down to economics triumphing a depressed economy. With beer, a conservative 75% is sold in bottles says one SAB staffer. 25% in cans. “In terms of the bottle market, 99% is returnable. This relates to your black beer drinker, the strength of the market. Growth in the black market (an estimated 80% of the total market) is expected to top 10% a year, nearly double that of the white.

Till he moves to can packs, demand for cans is unlikely to accelerate. It’s as simple as that.”

A question begging an answer is, will both beer and soft drink prices hold as a direct result of container and other cost increases?

Coca Cola’s Meyer (Coke commands a 62% share of the soft drink market) says soothingly, “We haven’t made an application for a price increase. But we can’t absorb indefinitely the increases in steel, sugar, packaging and distribution.” Says SA Breweries, dominating the beer market with its estimated 90% share, “We’re not contemplating an increase at this time.” The comment hardly surprises Right now SAB and arch foe Intercontinental’s price war on beer rages on. Packaging cost escalations will have to be absorbed for the time being.
Steel sector in a State vice

BY STEPHEN ORPEN

BY REFUSING to accept a programme for the de-control of steel prices, the Government is missing more than R3 000-million worth of public assets.

It is distorting one of the most crucial — indeed strategic — markets in the country.

And it is shackling scarce management and technical brains in a straitjacket which will always prevent them achieving reasonable profits, and thus the private enterprise spirit which the recent Tamron Committee urged for Icor, the country's biggest steelmaker.

As revealed to Business Times this week by Icor managers, this is the nub of the corporation's own thinking on the matter.

It is also the majority view of private and public sector economists questioned. However, they are reluctant to go on record with outspoken criticism for fear of angry reaction from the still powerful lobby, including some of their employers, that continues to favour controlled steel prices.

As a release of prices at this stage would certainly stoke inflation virtually throughout the industrial sector, with strong ripples also into the rest of the economy, the resistance to de-control is understandable.

Certainly, say the economists, too sudden action would be unjustified so soon after the recently announced hike in the controlled prices, and at a time when energy and other special factors have already saddled the country with a heavy inflationary burden.

But they remain emphatic that whatever good is emerging from the laudable efforts to improve Icor's performance through increased productivity (as reported at length elsewhere on Page 3 this week), the key problem remains price control.

As long as the Cabinet refuses to recognise that this is inherently incompatible with its new "market forces" and "business methods" policy for the management of public sector organisations, the multi-billion state steelmaker will never achieve a credible free-enterprise performance concept.

It is suggested that Pretoria should evolve a "release" programme for steel prices along the lines of what was done for Escom.

Although it might be necessary to prevent prices climbing as fast as did Escom's electricity tariffs in the mid-seventies, some pain would nevertheless have to be accepted in the economy in the interests of an eventual stabilisation.

Meanwhile, it seems that the latest, controlled steel price hike, announced as averaging 12.4%, in fact covers some increases as high as 20%.

Steel users will have to pay at least R560-million extra annually for their purchases as a result of the increase.
Steel hike hits many hard

BY STEPHEN ORPEN

STEEL USERS point out that although the latest controlled steel price hike may average 12.2%, as announced, it is in fact costing some 30% of users around 15% more, and some 5% of users as much as 25% in excess of the old prices.

Thus of the minimum of R300-million extra which the steel-consuming sector is going to have to pay annually as a result of the latest price hikes, as much as R200-million will have to come from the pockets of only some 20% of steel purchasers.

Profiles

The price of flat products, comprising some 63% of Iscor's output (2-million tons a year) will rise by an average of just under 11%, but the lift in the price of profiles (33% and 1-million tons) will average some 15.5%.

Of Iscor's total annual output, the local market is currently absorbing between 2.4 and 2.8-million tons and exports some 1.6-million tons. The average price for flats from Iscor is now R368 a ton and that for profiles R307 a ton.

This compares with prices from Highveld Steel of around R188 a ton for semi's, R254 for universals, R237 for sections and R252 for angles. Highveld is selling some 750 000 tons a year.
FERROALLOYS
It's all go

SA’s ferroalloy industry is heading for a bumper year. Supply pressures have driven up the delivered prices of ferrochrome and ferromanganese by 40%-50%, while output in the first quarter jumped a whopping 35% over the same period of 1978.

John Hall, Middelburg Steel MD, says that buoyant world demand for specialty steels is holding up strongly. The industries which use chromium steel, like coal-fired and nuclear power stations, capital goods and aircraft industries, are still enjoying strong demand.

A Samancor spokesman said the improvement in demand for SA ferroalloys has been dramatic compared to the depressed levels at the beginning of 1978.

From early 1978, most alloy producers have been operating at full capacity, and demand is expected to remain strong until the end of the current year, at least.

Nor is Samancor especially perturbed over the recent 5% drop in US levels of carbon (as non-alloy) steel output. Steel output lags six months behind general economic trends, while alloys lag a further three to six months behind ordinary carbon steel.

Samancor was not willing to venture predictions beyond the end of 1979, when there might be a slight softening in the US caused by the shadow of the forthcoming presidential election. But the EEC and Japan should remain healthy markets for SA ferroalloys into 1980.

SA has been putting to excellent use its formidable advantages in ferroalloy manufacture. These include ownership of the world’s largest chrome and manganese reserves and low electricity and labour costs. So, it is hardly surprising that SA’s industry has been expanding at the expense of older industries in the major industrial nations. Of the major Western steel producing nations, only Japan and West Germany produced more ferroalloys in 1976 than in 1970. Over this period SA’s output increased by no less than 92%.

Last year’s ferroalloy output volume rose by 16% from S$4 000 t in 1977 to 1,1 Mt, while export earnings were up by 48% to S$206,2m from 1977’s S$140,4m. The current year has seen further improvement, with local ferroalloy output for first-quarter 1979 55% above that for the comparable period of 1978 and 11% above the levels of fourth quarter 1978.

The trend towards ore processing in SA can also be perceived in the relative change in the earnings from ore and alloy exports. In 1970 ferrochrome and ferromanganese exports earned only R13,5m and R19,5m, respectively. By 1978, however, ferrochrome export earnings had reached R183,6m and ferromanganese R65,5m.

Over the same period, chrome ore exports rose from R9m to R83m, and manganese ores from R21,6m to R88m. Today ferrochrome accounts for some 60% of total ferroalloy exports.

This progress has not been achieved without strenuous resistance from the older overseas producers. SA’s exports have consequently had to run the gauntlet of a wide range of restrictions. These include, in the case of ferrochrome “trigger prices” introduced both by the US and the EEC, which attract additional duty if the price of imports falls below the designated levels. The EEC has introduced a “reference price” system for ferromanganese and SA has agreed on an informal quota system for ferromanganese exports to this market. In any event, local alloy prices stand above the trigger levels, which have thus done little to control imports.

The SA industry now boasts two newcomers — Tubatse, controlled by Union Carbide in partnership with General Mining, and JCI’s Consolidated Metallurgical Industries. These concerns join the older SA producers, Iscor-controlled SA Manganese and Barlow Rand Middelburg Steel.

An interesting factor which could distort world markets for ferroalloys in the future is growing sensitivity towards dependence on SA, viewed in a political context, which has already directed German attention towards stockpiling.
Friends (Quakers) en van die American Friends Service Committee deurgebrag. Hy het 'n aantal konferensies in verskillende dele van die land bygekomm, basis vergaderings toegespits op en senior bespreekings van die Carnegie Corporation, van Community Relations Services van die Departement van Justisie van die Amerikaanse regering, van die American Friends Service Committee en kollegas verbonde aan verskeie universiteite bezoek.

Gedurende Augustus en September het die Direkteur Engeland, Nederland, Switzerland, Suid-Afrika, en veral die regerings en verskille van Suid-Afrikaanse beleë met Suid-Afrikaanse beleë endissentige gevoel en stigte. As gevolg van sy bezoek aan Nederland het hy 'n toelating vir die Konstruktiewe Program ontvang van die Algemeen Dialoograad van die Gereformeerde Kerke in Holland.

Professor J.L. Bosch, een van die konstruktiewe Program het met 'n aantal insinuasies, wat universiteite in Natal en Transvaal insluit, en met verskeie handels- en industriële firmas in Natal, kontak opgebou.

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**Brieffe van die Program**

*blik van die Program*

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**NAVORSING**

**Gedurende 1978**

**Jaarlike conferensie en Raadsvergadering van die Program**

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**Brieffe van die Program**

*blik van die Program*
Gillette says it is moving away from apartheid

Mr J J Milne, personnel manager at Gillette SA, an American company manufacturing razor blades, says his company is pressing for social and economic change in South Africa.

Mr Milne was responding to questions put to him by POST on what his company had done to try to upgrade its black staff.

He said he was aware that blacks in South Africa did not enjoy the same privileges as whites as far as training was concerned and that Gillette was doing everything possible to get blacks trained for more senior positions.

The company is currently training 15 blacks as managers and accountants. There is another team of 28 blacks being trained as clerks and supervisors.

In the last three years the following positions at the company have been occupied by blacks: wage clerk, sales clerk, ordained clerk, marketing trainee, export supervisor, territory representative, laboratory technician, trainer, salesman, buying clerk, cook, sharpening operator — blades and security officer.

This year nine blacks at the company went through on-the-job training — over a period of six months.

The company employs 163 Africans, 128 whites, 37 coloureds and seven Indians.

There are two grading systems at the company — grade A and grade B. Grade A runs from Grade 1 to Grade 6 and Grade B runs from Grade 1 to Grade 8 (unskilled, semi-skilled and skilled).

The table below shows the two scales and the number of people in each grade by race:

<table>
<thead>
<tr>
<th>Grade 1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africans</td>
<td>12</td>
<td>8</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Whites and Indians</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

The remaining five grades belong to all the company executives.

Mr Milne says his company has not had any hostile reaction from their white workers to integration.

"We explained to them that we were neither for nor against them. But we believe they serve a great purpose in the world," he said.

The committee meets once a month to discuss all problems affecting blacks.

POST: What is your attitude to trade unions?
Mr Milne: We believe that workers have the right to form unions. But our enlightened employment practices foster negotiations with unions unnecessarily. For example, our conditions exceed the negotiated minimum in such areas as salaries, annual leave, sick pay, annual bonus, life assurance, provision of health services and pension.

"Mr Milne says they were approached by a black trade union for recognition.

"We explained to them that we were neither for nor against them. But we believe they serve a great purpose in the world," he said.

Mr Milne says they made it clear to their workers what their attitudes are to trade unions.

Toilets, canteens and other facilities in the company are completely integrated.

POST: Are you completely integrated?
Mr Milne: Yes.

"We cannot afford to have all types of fancy arrangements separating blacks from whites," Mr Milne says.

"If they have not had any hostile reaction from their white workers to integration, Mr Milne says they have had complaints but that these were unimportant.

"We told everyone from the beginning that we were moving away from apartheid," he says.

"The company has not encountered any difficulties in integration.

"What we are doing is moving towards the improvement of the quality of life of the 21 million blacks," Mr Milne says. "A good series of management meetings with the different groups in the company in order to determine the needs of blacks to form areas.

The company also participates in the development of programmes that enable the black workforce to acquire necessary skills.

Mr Milne says educational assistance is available to any employee who wishes to further his education in a company facility with a 50%-reduced tuition. This educational assistance is also available to the dependents of their employees.

Mr Milne is also a member of the board of the Johannesburg Chamber of Commerce.

In November last year the MII for a family of five in Soweto was calculated at R162.91 a month.

Mr Milne says they negotiate with their workers through a multiracial consultative committee, which consists of six blacks and four whites — all worker representatives — and one management representative.

Workers at Gillette.

Gillette's canteen, toilets and other facilities are also integrated.
Union Steel comes up with impressive results
Special steel orders for 1962 are expected to be the same as last year, according to steel producers. However, the price for steel has increased by 25%, but this has been balanced by an increase in production. The steel market is expected to remain strong throughout the year.

In the kitchen, a bowl of soup can be made quickly by placing bacon on the stove and covering it with water. Dice the soup, add salt and pepper, and serve.
'Blacks to do white work for less pay'

By RIAAN DE VILLIERS
Labour Correspondent

THE GIANT state corporation, Iscor, is planning to advance black workers into jobs previously held by whites -- the "advantage" being, according to a top official, that they could be paid less than whites.

This has emerged from an internal Iscor memorandum published in full in the latest issue of the Mineworkers' Union newspaper, The Mineworker.

The memorandum is said to be a report by Mr J H Scheepers, personnel manager at the Iscor works in Pretoria, to the Iscor works manager on talks held with metal unions in June this year.

The talks dealt with the advancement of blacks into jobs previously held by whites, in terms of the new agreement in the steel and engineering industry concluded last year which allows black advancement into all job grades excluding artisan level.

Concluding the report, Mr Scheepers said negotiations on advancement would be difficult as in the past. But he added "The advantage will be that the corporation will probably not be compelled to pay the minimum white pay scale to black incumbents."

Commenting on the document, Mr Arrie Pau-
Iron, steel industries see further upturn

July saw some further strengthening of the upturn in the export-oriented basic iron and steel industries, including ferro alloy manufacturers, according to the latest newsletter from the Steel and Engineering Industries Federation.

"Business conditions during July also indicate some extension of recovery trends to include the large engineering sector and some of the heavy engineering sectors, which were benefiting from Sasol 2 and Sasol 3 contracts. Increased government spending on capital works and continuing expansion in the mining industry, the newsletter says.

A further stimulating element noted in other sectors during July is the growing emphasis now being placed on import substitution measures in areas such as machinery production, the electrical machinery sector and, in particular, the telecommunications and electronics industry. This industry reports strengthening orders, the newsletter says.

"The building industries supplies sector, light metal engineering and sheet metal manufacture are also benefiting from the upturn now under way in building and construction activity."

"Reports from steel producers indicate the upturn in domestic demand for all types of steel products noted during the second quarter will continue throughout the third quarter with some possible easing towards the end of the year," the newsletter says.

Export performance of steel products also continues satisfactorily and the recent conclusion of a major contract for the supply of steel rails to the Taiwan railway administration is regarded as a notable breakthrough for South Africa's steel producers in the Far East markets which at present are dominated by Japan — Sapa.
R5m investment plan for Afrox

Despite gloomy reports from the engineering industry, a R56-million capital investment programme has been launched by Afrox Limited.

Managing Director Peter Joulliet says that the company must continue investing for the future, despite the gloomy outlook.

Extensive analysis of market needs, particularly projects such as Sasol II, prompted Afrox to increase their capability to supply the gases which are important raw materials in industry development. The really big gas contracts often require the construction of special liquefaction and storage facilities on site. Backup supplies are, therefore, also needed.

To meet these requirements Afrox will spend R22-million on storage facilities, expansion of the bulk tanker fleet, and increasing the number of countrywide supply depots to 41.

A further R13-million has been committed for capital plant which will double the output of oxygen and nitrogen at Afrox's Corvus works to 250 tons of liquid a day. The new plant will be commissioned in the last quarter of 1978.

The R5-million plus investment programme over the next 13 months represents a 75 percent increase in capital investment plans.

Afrox has signed about R25-million in gas contracts over the past six months. These contracts range from two to 15 years and include a R5-million contract for Sasol II, R5-million for Unilever at their Van der Bergh and Jurgens plant in Durban and the R5-million float glass plant for Pilkingtons in Springs.

The SA gas industry is among the toughest in the world, with low prices and four international firms competing for the market — AOF, Union Liquids Air, Tedgas and Air Products. Afrox has a 65 percent market share.
HIGHVELD

Export successes

Activities: Produce of iron steel, vanadium slag and pentoxide, located near Witbank, Transvaal, which produces manganese ferroalloys. Member of the Anglo American group.

Chairman: W J. Bousted, managing director L. Boyd.

Capital structure: 67.8m ordinary of R1.

Market capitalisation: R188.5m.

Financial year to June 30 1979: Barrows along long and medium term R826 000 net short term R64m.

Debt equity ratio 53.5%. Current ratio 0.7. Net cash flow: R52.9m. Capital commitments: R2.6bn.

Share market: Price 278c (1976-79)

high 288c, low 125c. Tending volume last quarter 613 000 shares. Yields 14.5% on earnings, 7.2% on dividend. Core 2.0 PE ratio 6.9.

Return on cap %: 22.2 17.3 14.4 19.7

Turnover (Rm): 114.4 148.6 173.3 268.

Gross profit (Rm): 31.4 35.9 33.9 48.5

Gross margin %: 28.2 24.8 19.6 18.5

Earnings (c): 7.2 6.0 5.1 4.0

Dividends (c): 12.5 16.4 16.4 16.4

Net asset value (c): 120 142 157 180

HIGHVELD's three basic components - steel, vanadium and ferro-alloys - enjoyed buoyant demand worldwide for most of its financial year. How long this will persist is in doubt by the uncertain outlook for western economies. Also, while the recent price increase for steel of an average 12.2% might have been designed with Iscor's recovery in mind, the side effects for Highveld have been beneficial and have gone a long way to offsetting cost increases. Another positive aspect is that government has agreed to make regular annual price reviews.

On a 55% increase in turnover for the year to end-June, gross profit rose by 45% as gross margins slipped slightly from 19.6% to 18.5%. However, the higher volume lifted the return on capital from 14.4% to 19.7% and enabled the group to considerably strengthen its balance sheet.

Total borrowings were reduced from R82.9m to R68.9m, although much of this must have occurred towards the end of the year as interest paid was marginally higher at R6.1m (R5.9m). This is reflected in the debt/equity ratio which improved from 77.6% to 53.5%.

Given the higher net cash flow, which rose from R34.1m to R52.9m after adjusting for additional provisions for the renewal and replacement of fixed assets, opportunity was taken to repay the $20m bond loan and the third and last of the major foreign borrowings. At the same time, the group managed comfortably to fork out R18m for Rand Carbide and spend R17.6m on capex.

At the attributable level, profit was 30% higher even after deducting R1.7m for deferred tax, and the dividend was raised by 25% to a twice-covered 20c.

Owing to the higher profit and lower investment allowances resulting from reduced capex, this transfer to deferred tax provision was significantly higher than the R11.6m previously provided. The accumulated provision now stands at R53.6m and should ensure that tax in later years does not absorb a disproportionate amount of income. As it is, both Highveld and Transalloys become liable for normal tax this year.

A major reason for Highveld's good performance has been its successful export promotion. Upwards of 20 000 t/month is believed to have been exported principally in the form of structural sections, semi-steel and plate. Exports of steel, vanadium and ferro-alloys at markedly higher prices last year pushed sales to a record R150.4m, with steel semis sections and plate exports representing 43% of total sales.

More recently, uncertain economic prospects in North America have led to conservative buying patterns. Together with higher freight costs, this has resulted in a weakening of net fob prices for steel exports.

Although SA's apparent steel consumption increased by 14% last year, Highveld's domestic sales were only 5% better. But with Sasol 3 there are indications that overall steel consumption could rise by 8% this year and the markets for Highveld's structural sections and plate are expected to continue to improve.

Rand Carbide, consolidated for the first time, contributed 11% to group earnings compared with a forecast of 10%. Producing ferrosilicon calcium carbide, electrode paste and metallurgical char, this division benefited from strong worldwide demand for ferro-alloys and by the second half of the year, the plant was operating at capacity for all products. In particular, the export price of ferrosilicon was strong.

Demand for vanadium improved steadily last year as a result of increased production of line-pipe and construction steels in the US and of line-steel pipe in the USSR. In Europe and Japan, vanadium-bearing tool steel production was up and the substitution of vanadium for scarce molybdenum stimulated consumption at higher prices.

In the year ahead demand is expected to remain satisfactory due to consumption for steel production and the possibility that the US and Germany could begin stockpiling target strategic metals and raw materials.

By the year end, all Highveld's plants were running at capacity, except for Vantra. But even here, higher demand for vanadium pentoxide resulted in the four Hoeschhoff roasters being restarted towards the close. However, the three kilns shut down in 1976 remained in mothballs.

As for production and distribution costs, the rise of 11% last year compares favourably with 17% in 1978 and 28% in 1977. One of the contributing factors was the SAR's decision to maintain railage rates throughout the year, and the 5.9% increase in power costs was considerably less than in the previous two years.

With favourable demand and cost projections, Highveld has decided to go ahead with the R18.6m installation of a ninth pre-reduction kiln and additional oxygen plant. In addition there are plans for a tenth kiln, which could lead to an annual production of 900 000 t by 1982.

Chairman Graham Bousted cautions that prospects this year depend very much on the extent of recession in the US and other countries. Most markets could be adverse, affected to some extent by provided that economic health holds up prospects look good. Even with this caveat, the yield is attractive and the group financially sound enough to warrant a hold.
by 1970, this figure had decreased to 15.7%, indicating that the whites had improved disproportionately to the 'coloureds'. Similarly, for children 1 to 4 years of age, during the period 1941 to 1970, the white mortality experience as a percentage of the 'coloureds' had decreased from 15.2% to 7.1%. It should be noted that the 0 year age specific death rates are higher than the corresponding INRAs. This is because the denominator for the former is the mid-year population.

Fig. 4 provides a causes of death by African community.

During the period of mortality with Infectious diseases increasingly 'coloured' and death by mort. h w h white Afri.

What is the weakness, should be used to pick up the selected, 'coloured',

activities. Engineering company which manufactures sells and leases
neon and fluorescent plastics, signs, advertising, signs, Angle-Front
Industries, 46-50 Market Sts. R450,000, net short-term, R1,5m.

Chairman, C. Croes, managing director of R2,5m.

Capital structure: 5.7m. ordinaries, 40c, 1,5m. 9 50c, 1m.

Debt equity ratio: 37.2%.

Net cash flow: R1,5m.

Fig. 5 shows the spectrum of death es of death.

The portion of spectrum of communities, the selected, 'coloured'.

Clearly, the broad diagnostic categories used in this analysis conceal a certain amount of information. However, because of the changes in disease classification which have taken place since 1929, it is not possible to examine the temporal changes of mortality rates in greater detail. Disease categories with rates greater than 5/1000 appear in italics in Table II. It will be noted that the mortality experiences of the 'coloureds' and at 45 years of age (e_{45}) for both males and females. It expresses the average number of additional years an individual would be expected to live beyond birth and 45 years.

For Africans, the proportional mortality was the only index calculated.

RESULTS

The infant mortality rates (IMR) and standardized mortality rates (SMR) for whites and 'coloureds' are provided in Fig. 2 and Fig. 3. Whilst the whites have experienced a steady decline in both of these indices since 1929, the 'coloureds' after an initial decrease, show a comparatively static IMR since 1950 and an increase in their SMR since 1960.

From 1941 to 1970, the white IMR has fallen from 50.9/1000 to 21.1/1000, an improvement of 57.6%. During this period, the 'coloured' IMR has decreased from 164.8/1000 to 132.6/1000.

The specific IMR's for those aged 0-1 years, 1-5 years, and 5-14 years are as follows: 80.3, 50.2, and 25.1, respectively, for whites; and 200.2, 120.1, and 60.1, respectively, for 'coloureds'.
Improving rating

Activities: Diversified engineering group listed in Johannesburg and London Manul invested in mining and industrial fars designed engineering projects and mining

Chairman: P P Dunkley, managing
director I I Sotl

Capital structure: 14.4m ordinary shares of 50c Market capitalisation: R31.7m

Financial Year to June 30 1979

Borrowings, long- and medium-term, R3,3m. Net cash R8,5m Debt equity ratio 7.1% Current ratio 2.1 Net

cash flow R3,1m. Capital commitments R33,000

Share market: Price 220c (1978-79 high, 265c, low, 180c, trading volume last quarter, 217,000 shares).

Yields 15.6% on earnings, 9.5% on dividend.

Cover 1.7 PE ratio 6.3

Return on cap % 23.4 22.1 21.9 18.3

Turnover (Rm) 204.3 223.1 211.4 216.4

Pre-tax profit (Rm) 14.0 14.8 10.8 8.9

Gross margin % 73.7 71.6 64.4 44.6

Earnings (c) 653 589 420 349

Dividends (c) 20 21 21 21

Net asset value (c) 286 280 310 321

Despite some investor nervousness following chairman Philip Dunkley's not entirely encouraging forecast the share price failed to penetrate below 210c.

There could be a number of reasons for this resilience. One is probably the group's limited downside profit potential. As Dunkley points out, Micott is diversified in four main areas, which, while of enduring nature, ensure that a decline in group profits will be less than any one division.

For instance, last year, while the project engineering and distribution divisions

...
BARLOWS potentially dangerous twin-tub washing machines will cost the company over R250 000 by the time all 8 400 machines have been repaired free of charge.

People have been warned not to use their machines and all owners are being contacted by dealers and the firm, Barlow's Television and Appliances Company. But there was no question of people being electrocuted by the National and Fuchsia, a company director emphasized.

Mr John Turner said his company has decided to withdraw all the models in an unprecedented move after a Natal owner was shocked by a machine last Monday. It was not certain that the shock was linked to the machine fault after the accident a serviceman was called in and the defect was discovered in the insulation panel. The machine had not been properly earthed.

"I am sure that 99.9 percent of the other models are okay, but we have a responsibility to our market and after hard consideration we decided to check them all," said Mr Turner.

He would not elaborate on the fault in case some people tried to fix it themselves.

All washing machines undergo an electrical appliance test set by the South African Bureau of Standards.

BARLOWS TO REPAIR 8 400 FAULTY TWIN-TUBS

"These machines were fully tested before leaving the factory but it is not a fault that could be picked up on the production line," Mr Turner said.

Servicemen went into action as soon as the fault was discovered, but it is not known how long the modification operation will take because some owners have changed addresses.

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3. How will the answer to 2. be affected by the existence of an extraordinary gain on disposal of a division of the company, amounting to R70 000, all of which was taxable, in the 19.7 financial year?

4. How does the answer to 3. change if the R70 000 is now a deductible loss, which can be set off against the taxable income from other sources of R50 000? Draw up the income statement assuming the deferral method is used.

5. Further to Note 4, assume now that the company has a set profit before depreciation of R60 000 in 19.8.

Draw up the income statement for the 19.8 financial year under a) liability method
b) deferral method

Assume the tax rate remains 42%
SWEDISH COMPANIES

Still growing

Despite sticking to the letter of Swedish law, which restricts investment for expansion by its companies in SA, Sandvik has pushed sales here last year from R30m to R37m and expects to hit R65m next year. Production from its nine local plants accounts for 72% of this, and should reach 80% by 1982.

Sandvik manufactures and imports bits and drill steel for rockdrilling equipment, cutting tools, specialised steel alloys, and industrial hardware and tools.

"We are achieving these increases by improving efficiency," says MD Hans Bergman. "In 1985 our return on investment was not satisfactory and we embarked on a programme to modernise plant, and to upgrade labour productivity by intensive training. This programme is continuing, but already our SA factories have the lowest production costs in the group, worldwide, with the lowest scrap rate."

Bergman says that the more modern plant has increased both the scope and capacity of potential output, and that the staff training has helped to reduce labour turnover to less than 2% last year.

He puts plant modernisation costs at "several millions" and claims it is all self financed. He adds, "In the 31 years we have operated in SA, we have never once sent home dividends. All our profits have been reinvested here."

"We also pick up a lot of valuable experience here. This is important to our group research and development function, which has a budget equal to 4% of our total world sales. For example, we developed a new drill tip for Sishen, which has the hardest rock in the world."

Bergman criticises the government's anti-investment law for the paper-work it generates and adds, "We do not favour the legislation and we regret being used as political tools. As a group we feel we have the same responsibility to our SA employees as the responsibility which is forced on our Swedish operations by the Swedish social security system. The law is detrimental to what we would hope to achieve in SA, namely a better life and job security for all our employees."

The only race discrimination we practice is to give free meals to black workers, and to assist them in the new home ownership scheme. The Swedish government should praise us as an example to others here rather than try to discourage..."
SA industry strikes gold

SA industry is riding the wave of a vast expansion generated by the growth of mining activity.

Last year, purchases of stores and equipment by gold and coal mines alone amounted to R1 728m—a nearly three-fold leap in five years and almost equal to the total defence budget of R1 857m for 1978/1979. The start up of vast new coal mines in the Eastern Transvaal and a resurgence of gold mining, have lead to manufacturing and mining skills. We base our existence on this knowhow, which flows through our team of engineers to our subcontractors and clients. We are enlarging this team by over 50%.

Weserhuette will be supplying Foskor with the largest mobile crusher unit ever manufactured in the world. Costing R3,5m, it will process 7.5 Mt of phosphate bearing ore a year.

Last year the mines spent over R225m on steel ropes, with local outfit Haggie supplying the lion's share. "Four years ago, we spent R18m on improving our rope plant," says company secretary William Harrison, "which was just as well, as we could not otherwise have coped with present demand." Although other companies have tried to popularise new type ropes such as those containing carbon filament, the basic sisal or polypropylene core, covered by wire strands remains the standard product. The 15 km rope made by Haggie for Vaal Reefs is the longest in the world.

Cyril McKechnie is chairman of American-owned Envirotech, which manufactures belt conveyors, fluid-solid pumping and vibrating process equipment, and designs and installs material handling and process systems. "There has been a considerable increase in competition with many new suppliers in the market," he says. "They have been attracted partly by the boom here and partly by the business slowdown in Europe and the US." His company invested R1m last year on plant improvement to keep pace with expanding output, which has doubled over the last five years.

Envirotech's Isando plant is the largest manufacturing facility for rubber-lined centrifugal pumps in the Western world, and the 8.5 km conveyor system they installed at Klenkoppie coal mine is believed to be the longest curved conveyor in the southern hemisphere. "More than 90% of the equipment we sell is locally made," says McKechnie, "and over 65% of it is based on designs developed in SA for local conditions.

New coal handling concepts on some of the world's biggest coal mines in the Eastern Transvaal, and the rising cost of diesel truck transport has started a boom in conveyor belting. Says Aubrey MacDougall, marketing manager of Sarmacol, "Five years ago, demand for conveyor belts was about 55 000 m a year. Now it is closer to 250 000 m and should be more than double in five years."

It is for this reason that Sarmacol has enlarged its facilities at Middelburg, Transvaal, and now supplies customers from stock, instead of making to order as they did until recently.

Last year the market for underground support timber rose to R64m from R56m in 1977. AHL Mining Timber MD Gerry Castle expects that current demand of R1,55 m per annum will remain constant for the foreseeable future—mainly because the packmat, which contains a lot of timber, will be replaced to some extent by new supports constructed from machined timber pressed into steel tubing.

Low technology

"Although we are in a low technology business," he says, "we now offer a handling systems service to get the timber from our yards to the working face at optimum cost to our customers."

Stewarts and Lloyds is a major supplier of the R64m sales of pipes, tubes and fittings bought by the gold and coal mines last year. Says executive director Hylton Godwin, "Last year we commissioned our new high frequency electric resistance weld mill, which together with its auxiliary equipment cost R10,5m. It's the most advanced machine in its kind in the world and it incorporates the best technology from Britain, Japan and the States."

GEC's MD Murray Coutts Trotter says, "We have seen a considerable increase in demand for winding equipment, switchgear, electric motors and mobile sub stations."

"This demand includes not only new equipment, but modification of existing equipment to increase capacity. As we
MASSEY-FERGUSON/FVB
Deal at last?

Once again, Massey-Ferguson Canada and FVB are negotiating the future of Massey-Ferguson’s local interest. This time something firm might materialise because it is probably not full control which is being sought FVB, which already holds 30.7% of Massey-Ferguson, must be taking a long-term view of the fortunes of the tractor industry, where there is talk of rationalisation. What will probably materialise, if FVB has its way, is that the Canadians will sell off a portion of their local 51.3% stake in order to be left with marginally less than 25%. The obvious reason is that Massey-Ferguson could then be reclassified as a local operation, thereby relaxing restraints on borrowings.

Such a move would make sense, especially for FVB. At the moment, borrowing restraints are being loosely applied because of the ready availability of funds in SA. But in the long-term, these regulations might well be more rigidly enforced, thus inhibiting further expansion, especially if the foreign parent refuses to pump more funds into the local subsidiary. And this could well be the case since the Canadian parent has had a checkered performance record over the past few years (For March 30).

At present, local content for tractors is extremely low relative to the motor industry, and it is not inconceivable that increased stipulations in this regard will be made. Massey-Ferguson should ensure that it is well placed to take on the challenge when it materialises, especially since the Perkins engine, which powers its products, will be manufactured at SA’s new diesel plant at Atlantis.

FVB is aware of the potential for rationalisation in the industry, and this makes Massey-Ferguson an attractive proposition. With the Canadians retaining a share in

the company, FVB would still have access to expertise, which is an advantage which should not be discounted.

Massey-Ferguson has a healthy share of the local market, estimated to have been 25% in September, behind Ford, which had about 25%. It has lost market dominance in recent years as the result of supply problems caused by strikes at its British factories, but this problem has been overcome, and puts the company back into a favourable position to capitalise on local engine production.

Massey-Ferguson — will the Canadians become trackers?

As yet, nothing has been divulged as to the method of the takeover or the price range, although talk during the March negotiations put this between 400c and 500c. Pre-suspension price was 280c, up from about 220c, presumably after rumours about negotiations leaked.

Considering the recently announced poor first-half figures and the passing of the interim dividend (last year a 25c total was paid), around 350c would appear a fair price. Assuming the Canadians hold on to 24%, this would mean an additional R2.5m odd for the parent. But, to make the bid attractive to minorities, and depending on how FVB sees the future of the tractor industry, this offer could well be topped.

The minorities, mainly institutions, presently hold 18.7%. They might not be keen to offload unless the price is attractive. Much depends on whether FVB wants to retain the status quo with respect to minorities, or whether it is ultimately looking for a delisting.

Jonathan Baden
Baton charges: injured workers paid R21 000

By ZWELAKHE SISULU

WORKERS who were injured by baton-charging police during a dispute at Heinemann Electric factory in 1976, were this week paid more than R21 000.

The 13 workers and a former official of the Metal and Allied Workers' Union sued the board of the then Minister of Police, Mr J T Kruger, for damages arising from the police action.

The matter, which was due to be heard in court on Monday, was settled out of court this week.

In addition to the payout, the State will also pay the costs of the action which are believed to be more than R10 000.

The official of the union, Mr Gavin Anderson, who was suing the Minister with the other workers, was served with a five-year banning order in 1976, a few months after the incident.

Police baton-charged a crowd of workers outside the Blaaskoefontein factory during a pay dispute. Many people, including a pregnant woman, were injured.

"The outcome of the case completely vindicates the workers and the union," a spokesman for the Metal and Allied Workers' Union, Mr Bernie Fanaroff, said.

The condition of the settlement is that, by paying out, the State is not admitting liability but that this is the full and final settlement.

The total amount paid out by the State is R21 850. The largest individual claim was made by Mr Christo Molekele who lost 90 percent of her sight.

Ms Molekele has been paid R4 000, and the other big claim in the group R2 000, was paid out to Ms Beauty Nkambule for a broken arm. The smallest paid out was R50.

The baton charge on the workers created an international scandal. Two officials of the Metal and Allied Workers' Union, Mr Anderson and Mr Sipho Kubheka, were banned for five years a few months later.

The State's payout showed that the workers and the union acted responsibly in trying to get the managing director of Heinemann to settle the dispute, Mr Fanaroff said.

"The baton charge, which severely injured innocent workers, emphasised that the intervention of the police in industrial relations is damaging and counter-productive."
Move on computer revolution

GENEVA — The International White Collar Workers' Federation yesterday announced what it called the first international trade union programme designed to cope with the computer revolution.

(1) Part-time post
(2) Full-time post
(3) Additional post
(4) Does this position demand

Please state full details of machine, if any special keyboard or features

If new machine is a replacement of existing machine

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The International Federation of Commercial, Clerical and Technical employees (Fiet) said:

"The uncontrolled use of microcomputers in every aspect of office work could eliminate millions of jobs in the next decade."

Fiet, linking 6,500,000 workers in 80 countries, called for firm action now from trade unions, governments and employers and set out policy guidelines for union officials.

Redundancy

The programme is to be discussed at the next Fiet world congress, to be held in Venezuela next month.

"Trade unions should refuse absolutely to accept redundancy as a result of new technology," Fiet said.

It called for joint planning between unions and management, collective agreements linking productivity increases from new technology to jobs and a reduction in overall working life.

"The 35-hour week, five-week holiday and earlier voluntary retirement are all important targets," Fiet said.

Where redundancies are unavoidable, employers should accept responsibility for retraining workers and for helping them find alternative jobs, Fiet told its 179 member unions.

Revolution

Another report on the effects of modern technology on workers said microcomputers could bring changes to Western society as basic as the neolithic revolution in which our ancient ancestors shifted their lifestyle from hunting and gathering, to becoming settled farmers.

Professor Tom Stonier, a British professor from Bradford in Yorkshire, predicted in the report: "In about 30 years it will require no more than 10 percent of the labour force to provide us with all our material needs."

"This does not mean that the other 90 percent are going to be unemployed," he said in the report.

"For example, factory workers are likely to see a reduction in the work week — possibly over a 30 year period, a halving of the work week to 18 or 20 hours," Professor Stonier said. — (Sapa-Reuters.)
PURCHASING OFFICE

We have received your Purchase Requisition for a second hand typewriter.

Could you please furnish us with the following information:

(1) Name of person requiring the machine

(2) Department

(3) Please state why new machine is required

Is this machine for a:

(1) Part-time post
(2) Full-time post
(3) Additional post
(4) Does this position demand excess work load

Please state full details of machine required i.e. if any special keys or features are required

If new machine is a replacement, please state Series number of existing machine

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Durban firm to axe half its workers

Deputy Financial Editor

THIRTEEN of the 31 workers employed by the Durban engineering firm of R. G. Nuttall are to lose their jobs at the end of the year because the firm has had difficulties in finding work.

The company, which is 80 percent owned by Hunt, Leuchars and Hepburn, the JSE-listed timber and engineering merchants, will probably be taken over completely by ILH who are considering “changing the company’s basic fields of trading activity.”

A spokesman for Nuttall’s said yesterday that in the current, tight, contracting market, they had been unable to compete successfully for big projects.

There are a number of projects on the order book. These include an “important contract” to install a mineral processing plant for Octa Diamond Company’s diamond mine at Marquard in the Orange Free State.

The spokesman said that Nuttall’s, which has a specialist contracting field, will wind down its activities.
The SA economy faces a dilemma...

Business Mail

23/01/94

The SA economy faces a dilemma of how to invest in and grow its manufacturing sector while also addressing the needs of the poor and vulnerable. The government has set ambitious targets for manufacturing value added, but the challenge is to find the right balance between these competing priorities.

The Manufacturing Sector

The manufacturing sector is crucial for economic growth and job creation. However, the sector has been struggling in recent years due to various challenges such as weak demand, high labor costs, and competition from abroad.

Government Targets

The government has set a target for manufacturing value added to reach 40% of GDP by 2025. This is a significant increase from the current level of 25%.

Issues and Challenges

- Weak demand for goods and services
- High labor costs
- Competition from abroad
- Lack of access to finance

Solutions

- Increase funding for research and development
- Improve access to finance
- Reduce labor costs
- Promote exports

Conclusion

The SA economy faces a dilemma in how to invest in and grow its manufacturing sector while also addressing the needs of the poor and vulnerable. A balanced approach is needed to achieve sustainable economic growth.
TEDELEX

Switching on

Activities: Manufacturer and distributor of TV sets, radio, hi-fi, consumer electronics, lighting equipment and sewing machines. Owns 56.1% of Ellerme.

Chairman: B Slome, joint managing director J Cohen

Capital structure: 13m ordinary shares of 25c. Market capitalisation R22m.

Financial: Year to June 30 1979. Borrowings long- and medium-term, R10m, net short-term, R52.9m.

Debt equity ratio 133.6%. Current ratio 1.8. Net cash flow R4.7m. Capital commitments R1m.

Share market: Price 175c (1978-79 high, 175c, low, 55c, trading volume last quarter, 722,000 shares). Yields 18.2% on earnings, 7.4% on dividends. Cover 3 PE ratio 4.5.

1976 77 77 78 79
Return on cap % 62.7 12.5 14.0 14.8
Turnover index 300 232 611 642
Pre tax profit (Rm) 120 88 141 138
Earnings (c) 62 88 43 391
Dividends (c) 23 0 18 13
Net asset value (c) 94 169 208 244

18 months 1974=100 annualised

With the consumer boom underway, Tedex is looking forward to another profit increase this year. Chairman Benny Slome expects all group divisions to weigh in with increased contributions, which augurs well for another dividend hike this year.

Tedex's major profit sources are its 56.1% holding in Ellerme and TV, radios and appliances. Last year, the stake in Ellerme contributed about R3.3m, to which profits - about 66% of the total. And this year, certainly in the first-half, earnings look set to rise further. Second-half improvements will depend largely on government's success at stimulating consumer spending, but the introduction of a black TV channel in 1980-81 should boost Ellerme's furniture sales.

The TV, radio and appliance division lifted earnings contribution to R3.3m (R1.4m annualised) and Slome anticipates 1980 will see another rise particularly in light of the black TV channel which will lead to higher appliance sales.

The lighting division reduced its contribution last year. A tax loss of R338,000 was incurred compared with a R62,000 annualised profit in the previous 12 months. However, problems have now been solved and profits are being earned.

During the year Tedex took over the operating assets of Empusa (the shell remains on the lists as Quanox). Slome says the company beat budgets and "will undoubtedly add to the profitability of the group" in future.

Last year Tedex geared up to take advantage of the anticipated consumer boom. Total borrowings at end-June were R65.2m (R64.9m) - 19.1% higher - while total capital employed rose to R125.2m (R106m). Although the level of borrowings seems high (136% (133%) of equity, Tedex covers its annual interest and leasing payments a comfortable 3.5 times by gross profits. Most of the additional funds were used to finance debentures of R39.7m (R76.8m) and stocks of R38.5m (R36.5m).

The low year-end stock balance - up 5.9% compared with a 28.4% turnover increase - was made up mostly of finished goods and merchandise. Raw materials and work-in-progress were lower in comparison, indicating the group's stocks are being built up in expectation of higher consumer spending and reflecting the acquisition of Empus.

At 175c, the share has appreciated 133% in the past year to yield an historic 7.4%. The yield is fairly low, but the furniture and appliance sector still has steam left.

This year, earnings seem set to advance with 45c probably a reasonable target. However, this growth may not be fully reflected in dividends as the company could conserve cash to fund a move into markets outside SA.

Benny Slome... margins should improve.

Des Kriel
Although several industry members are experiencing performance slowdown, the overall effect on demand is much lower. This has led to a more relaxed attitude towards capacity utilization, with many firms operating at capacities below 80%.

The lack of demand has also led to a decrease in production levels, with many firms cutting back on new investments. This has resulted in a decrease in the number of new products being launched, which in turn has led to a decrease in the number of new jobs being created.

However, there are some signs of improvement. The government has announced plans to increase spending on infrastructure, which is expected to boost demand in the short term. Additionally, the recent increase in oil prices has led to an increase in the cost of raw materials, which is expected to lead to an increase in the cost of production for many firms.

In conclusion, while the current economic environment is challenging for many industry members, there are some signs of improvement in the near future. It will be important for firms to continue to adapt to these changing conditions and to focus on long-term strategies that will help them to remain competitive in the future.
There is partial integration at Metal Box SA

METAL BOX SA, a British company employing 3,700 people throughout the country, pays for its workers a minimum wage of R92 an hour.

And the R92 an hour minimum works out to R191.10 a month.

The company's group personnel consultant, Mr N van der Walt, says their minimum does not include the company's contributions such as bonus, pension and subsidised meals.

The University of South Africa's Bureau of Market Research calculates the Supplementary Living Level (SLL) for a family of five in Johannesburg at R183.88 a month. Metal Box uses this figure to guide them in determining the minimum pay.

The CEC code of Conduct, to which the company subscribes, stresses that European companies with interests in South Africa are encouraged to implement a minimum living level (MIL) that would work out to R278.82 a month.

Mr van der Walt told POST that there are 710 people at the bottom of the company's pay scale. All these are black and in Grade 1.

The least paid white earns R230 a month. She is a typist.

The company employs 4,786 Africans, 2,174 whites, 1,176 coloured and 629 Asians.

Mr van der Walt says they have two grading structures — one for hourly-paid staff. There are 16 grades (Grade 1 to Grade 15) for the hourly-paid workers and 13 grades (Grade 1 to Grade 13) for the salaried staff.

What is the company doing to upgrade its black staff? The company conducts an on-the-job training for its workers such as training in electricity and productivity mechanisms.

The company has a policy of selecting six worker representatives, one from each of the 19 factories in the country. Five of these are integrated.

The committee, consisting of three management representatives and six worker representatives, meet once a month to discuss matters affecting the workers.

Mr van der Walt says their facilities are partly integrated.

POST: What reason do you give for this partial integration?

Mr van der Walt: The speed at which each factory can do it.

Integration at the company is based on occupational level. This means that people doing a particular job have their own toilet and canteen.

The company has not had any hostile reactions from its white workers to this partial integration.

"You see whenever we make changes, we do it in consultation with our workers," he says.

There has also not been any interference from outside the company, e.g. labour inspectors, to prevent them from integrating some of their facilities.

The company has donated R60,000 to the Urban Foundation for the improvement of the quality of life in the townships. The company also sets aside 0.5 per cent of its profits for charity.

There is a housing scheme and a bursary scheme.

Metal Box employees apply for loans to either build or improve their houses.

The company also gives bursaries to university and high school students.
### Zakelijke tweelingafdeling

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**Inschatting voor 1976:**

- Nieuw aantallen: 1680
- Verstuurde aantallen: 1680
- Gerealiseerde aantallen: 1680
- Nielsen: 1680
- Hoogte: 1680
- Lengte: 1680
- Dikte: 1680

### Statistieken van de Tweelingafdeling


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**STRAATLICHTERING**

Deze week bent u gevonden in de straatlichteringsstraat. Indien u nu een straatlichteringsstraat bent gevonden, dan is u een straatlichteringsstraat gevonden. Indien u nu een straatlichteringsstraat bent gevonden, dan is u een straatlichteringsstraat gevonden.
THE two-year-old feud within the Engineering and Allied Workers Union reached a climax at the weekend with the formation of the Steel, Engineering and Allied Workers Union of South Africa.

The new union comprises mainly members of one of the feuding groups.

SEAWUSA had its inaugural meeting at the Market Theatre, Johannesburg, at the weekend when they adopted a 32-page constitution and elected a national executive council.

The meeting was attended by 500 members from Pretoria, Daveyton, Bethal, Tembisa, Vosloorus, Witbank, Middelburg, Secunda, Springs, Sasolburg, Port Elizabeth, Krugersdorp, Luipaardspiel, Johannesburg, Wadeville, Natalspruit, Thokoza, Vereeniging and Vanderbijl Park.

The meeting decided that:

- The national executive council should investigate the process of registration under the new Industrial Conciliation Amendment Act, and
- The union will cooperate on matters of mutual interest with registered and unregistered trade unions in the metal and other industries in the interest of workers.

On the executive council of the new union are:

Paul Bapela president; Phillip Masoko vice-president; Michael Mabena, Solomon Mamasele, Joseph Mafisa, Simon Matsile, Sam Manganyi, Johannes Senon and Chet Motswadi committee members. Mrs Jane Hlongwane is general secretary.

FACTIONS

The split in the Engineering and Allied Workers started in November 1977 when some members decided to dismiss Mrs Hlongwane as general secretary.

Since then there have been two factions, the other led by Mr Michael Mphayi, using the name Engineering and Allied Workers Union.

On the sample indicated in their comments have preferred these not to have been held if those that did answer questions in this said that the Workshop had been long enough and had some extent to integrate into the University so as to be desirable.

Study Methods

The sample (69%) felt that their school was adequate at University, though less were completely adequate and 18% nearly majority (51%) would have liked an additional courses, Revision and Examinations and on search in their comments a great many indicated that a more practical presentation of it be desirable.

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ion Course

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bse advice they had primarily sought iniversity curriculum, the sample indicated
BADLY in need of a major refit, the Maputo-registered Lindo brings about R50 000 worth of overhaul and repair business to Durban.

**Big repair job from Maputo**

**SHIP-REPAIRERS** Mechaweld Engineering of Durban, who have secured work contracts from Mozambique in recent years, are now carrying out about R250 000 worth of maintenance and voyage repairs on the Maputo-registered freighter Lindo.

The eight-year-old vessel, owned by Empresa do Limpopo & Cauco, failed an inspection at least two other Mozambican clients handled by local repairers, the 1 219 dwt Mafra and the 2 024 dwt Palma.

Mechaweld's work on the 1 321 dwt Lindo began on October 16, the day following the vessel's arrival from Maputo.

The two-month Durban layup involves major engine repairs, a complete overhaul and updating of substantial survey work, says the company's secretary, Mr. James Currie. Both main engines, at least three auxiliary units and a host of other items are on the list of seemingly overdue overhauls.

Equipment such as pipes and fittings, the decks and electrical installations also need attention.

"Electrical work will be done by our own specialist division, which only began operation a year ago," Mr. Currie told me yesterday.

"This is a major step for the Lindo in a spell in the Prince Edward ground rate in about a week's time so that both her tenders can be drawn for an inspection.

Mechaweld, who have had other Mozambican as well as considerable Spanish trawler business on their books, are "very pleased with the rather unusual contracts managed to attract to Durban," they said.

The Lindo, classified by Lloyd's Register in the 10A1 category, is expected to clear Durban with a newly issued clean bill of health about mid-December.

ALTHOUGH this five-ton drydock service crane was wrecked in a freak accident more than three weeks ago, its battered remains are still an eye-sore on the docks.

Mr. R. W. Meyer, the head of Durban's mechanical workshops, told me this week that a departmental inquiry into the accident had been completed and it would soon be removed "to make way for a replacement."

Although Mr. Meyer did not divulge details, I understand that a 25-ton crane topped the five-tonner on October 22 while pulling away from it.

The braces of the wrecked crane were on and its jib pointed into the grazing dock, when the working 25-tonner turned, in the process accidentally hooking on to the small crane's catwalk.

Still connected to the catwalk of the five-tonner, the big crane moved off and pulled it down.
The above text is not legible due to the quality of the image. It appears to be a page from a document discussing various topics, possibly related to recovery and economics. The text is not clearly visible, making it difficult to extract meaningful information.
Consolidating N3 Motors

Motor vehicle, plant and equipment sales are increasing, with the increased demand for industrial and construction machinery. The company has expanded its operations to include the sale of new and used equipment, as well as the provision of maintenance and repair services.

Chairman's Report

The company's financial performance has been strong, with a significant increase in revenue and profits. This is due to the successful implementation of the company's strategic initiatives and the strong demand for industrial machinery.

Key Performance Indicators

- Revenue: $X,000,000 (previous year: $X,000,000)
- Profit before tax: $Y,000,000 (previous year: $Z,000,000)
- Earnings per share: $A (previous year: $B)

The company's balance sheet remains strong, with a healthy level of liquidity and a low debt-to-equity ratio. The management team is committed to continuing the company's growth and profitability.

Investor Relations

The company is actively seeking new investment opportunities to further expand its operations. Interested parties are encouraged to contact the company's investor relations department for more information.

N3 Motors

2023 Annual Report

Financial Year Ended 30 June 2023
Fulmen's (or the new company's) share will be derived, although it may not get the whole 10%.

But obviously any one company's share of the total business will ultimately depend on demand for the products which it supplies, and this could change significantly in the period covered.

Each supplier will provide a range of equipment but the bulk of Siemens' business will be switching equipment and teleprinters, while Temsa will be responsible for switching equipment and telephones.

Fulmen switching equipment, STC transmission equipment and modems, and Plessey small business systems.

Postmaster-General Louis Rive recently said that the Post Office plans to spend R5.7 billion on capital expenditure in the next 10 years, a figure which, in addition to telecommunications equipment, covers roads, buildings, power plant, cables and more.
employer group in new
sw over black unions

Employer group in new

The employer group is in a new over black unions.

Mr. Grobbelaar said, "We support trade unions, irrespective of colour, but it is necessary for us to deal with unions which are registered," he said.

He regarded a union's refusal to become registered as a refusal to establish its credentials.

"These credentials are important in a situation where officials of black unions come and go and there are splits in the ranks," he said.

"We don't propose to become a battleground for conflicting trade union ideologies."

Unregistered unions could not become parties to an industrial council, he pointed out.

Seifs's guidelines call on employers to:
- Withhold formal recognition from unregistered and provisionally registered unions.
- Not "actively assist trade union organisation" and not accede to requests by unionists "allegedly catering for black workers" to have access to company property, if they are recruiting or "to place notices on company notice boards.
- Not engage in "in-house" negotiations on matters falling within the industrial council's scope,

The guidelines, said Mr. Grobbelaar, are not in direct conflict with the SIRC code, which covers subsidiaries of companies based in European countries, including some of South Africa's top trading partners.

Several battles have been fought over black trade unions in the metal and engineering industries.

"If Seifs did not demand to stifle black trade unions, it is for black workers," the Employment Commissioner said. The code covers subsidiaries of companies based in Europe.

Employers have made reservations about Seifsa's guidelines on relations with black workers belonging to trade unions in the metal and engineering industries.

"We see the guidelines as being in direct conflict with the SIRC code," he said. The code covers subsidiaries of companies based in Europe.
It's a cut-throat contest for the biggest slice of the razor market

BACK in the early Sixties it was reckoned electric shavers would eventually put such firms as Gillette, Schick and Wilkinson out of business.

However, electric shavers have barely shown any growth in the past 20 years while a great deal has been happening in the wet shave market where growth is continuing, though slowly.

Now the blade market is slug¬ging it out in an old-fashioned, cut-throat brawl.

The market breakdown has remained almost unchanged for some years with electric razors accounting for about 8% of all sales. However there have not been so many innovations in the blade market, currently worth R10-R12-million.

Men have always wanted a closer, smoother shave from their razor and this has been the catalyst to a whole new era in the shaving world.

Research and development was chiefly concerned with improving the conventional double-edged blade. This was achieved in several ways, notably stainless, then platinum, blades.

When the platinum blade was launched in 1969, however, Gillette admitted that the shaving world had gone just about as far as it could in developing the maximum comfort and sharpness in an ordinary blade.

Further along these lines, the major companies began to look for other developments.

Already they had developed what was known as a single-edged blade which had only one edge, and where the blades were contained in a special container. Now the technicians have turned their attentions to developing something completely different—a shaving system.

This is where the revolution began, back in the mid-Sixties with the launch by Gillette of their Techmate—a continuous ultra-thin blade which really notched up sales and helped to push the “systems” share of the total blade market to around 5%.

Although the Techmate was the first of the new systems, it was not the Techmate that really set the shaving market alight and caused the war between Gillette and its closest rival, Wilkinson, to become a major confrontation. In 1972 came the shaving ‘blockbuster’—the Gillette GII.

This razor used disposable, double-edged blades and took the imagination of the South African shaver so much so that at one stage blades were virtually unobtainable. Shavers, naturally, were upset. They had the handle—but they couldn’t buy the blade.

Problem was that Gillette worldwide had grossly underestimated the public acceptance of the GII. Plants around the world were churning out the blades, but not fast enough. And South Africa, like the rest of the world, had a supply problem.

An expensive mistake—and one that gave Wilkinson Sword the chance to grab the market.

In November, 1972 Wilkinson made its bid with the bonded steel blade, a single-edged blade held rigid between strips of plastic. But the bonded system was a disaster and Wilkinson had lost a major opportunity of taking market share from Gillette.

In August, 1974 Schick entered the twin blade market with the SII, a blade similar to the GII so that it would fit any twin-bladed razor—hoping to take advantage of Gillette’s supply problems. But Schick’s bid came too late, because by then Gillette had solved their problem.

Gillette responded with the twin injector in September, 1974, and the Schick twin injector appeared two months later. Both products did nothing for either company.

The razor market is divided into three areas:
- The conventional stainless steel blade which accounts for about 30% of sales. In value this represents roughly 40% or just over R4-million a year, of annual sales.
- The “systems” market which has moved from 18% (in unit terms) at the end of February, 1975 to 30% in 1979. Obviously this growth has been at the expense of the stainless steel market.
- The conventional carbon blade which has a firm following among Blacks. Gillette totally dominates this field through its Minora and Nacoe brands.

Gillette also dominates the systems market and the stainless steel market. In fact Gillette dominates Wilkinson; despite being cheaper, has only 8% share with its bonded system, although its stainless steel in the Black market.

Schick’s SII twin-edged injector has about 5% and the balance is taken up by all other brands.

But it is the systems market that manufacturers are looking to for their growth, especially the twin blade market.

This time Wilkinson, Gillette and Schick almost simultaneously came out with an innovation on the GII. The Gillette Contour, the Schick Pivot and the Wilkinson Profile.

The system is basically the same as the GII, but instead of a rigid head, there is now a swivel head. “The new system is,” according to Gillette’s MD Jim Clarke, “designed to give a better and closer shave because the head remains in contact with the skin longer and the swivel enables the blade to easily reach previously inaccessible areas.”

With the introduction of the pivot, the twin cartridge segment is expected to expand to more than 50% of the total wet shave market (currently worth about R12-million). But this time all three companies are off to an equal start, although Gillette has raced by launching the Contour a few months ahead.

Major opposition for the pivot system, will, surprisingly, come from Schick, not Wilkinson. Schick claims their system has a major consumer benefit in the form of “easy button cleaning.”

But it is not only the system that has undergone change—it is the actual razor.

According to Jim Clarke, “Men no longer want a plastic holder, they want something more substantial—something like the old twin blade holder.”
Steady rise in steel production

By Stephen Suckley

South African steel production is increasing steadily and figures for the first nine months of this year are 17.4 percent higher than the same period of 1978.

In its September report on iron, steel and ferro alloys, Sefisa reports that all other sectors also showed an improvement. The ferro alloy manufacturing industries improved more than 45 percent, reflecting additional furnace capacity installed last year.

Production of pig iron increased as did private sector foundry output for steel castings, iron castings and non-ferrous castings.

Figures in all production categories in the 10 months to September show an increase over the same period last year.

The table below shows output figures in tons.

Reporting for September, the Minerals Bureau figures show that though coal production remained static in the past three months, exports of bituminous coal are rising steadily and in September topped the 2m-ton mark.

In his annual report yesterday, chairman of Johnnies, Sir Albert Robinson, said the country was being too cautious over its export potential. Though exports are continuing to increase, they are at a very small rate. At present the limit at which South Africa can export is 44m tons.

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Hyslop worried about the social problems in replacing labour with machinery

He is justifiably proud of the salary account for example. It is lower today than in 1970 and 'the staff are harder and work harder.' Hyslop praises his actions are 98% unfeathered by head office at Scaw Metals, which in turn is owned by Anmec.

He is disturbed by the merchants tendency to rely on faster deliveries. They are keeping lower stocks, he laments, and are playing the six 'bright steel' (processed steel) manufacturers against each other. It's the opposite of a monopoly and "the long run those that don't carry stock will lose their raison d'être."

Flather Bright carries high raw material stocks, to Hyslop's delight, now turn over four times a year. "That's quite high," he stresses. Already supplying the automotive industry agriculture, mining, defence and the railways, Hyslop maintains there are always new markets - if you know where to look.

An MSc engineering graduate from Wits, he took his wife Sheila and two children off to Cape Town in 1961 for an educational course.

With the MBA he regards as his insurance against becoming "the sort of engineer in tweeds and a pipe who is thoroughly knowledgeable thoroughly dedic- ed and thoroughly poor." He returned to Sappi where he had started his career six years before.

But returning to Sappi with a R25 million overdraft was no fun. He joined Standard Telephones and Cables an ITT subsidiary in Boksburg, eventually becoming the operations manager co-ordinating all production functions in the telecommunications department.

Then, at 32, he was offered the position of managing director of Flather Bright.

Flather Bright is one of the big two in the bright bar industry. After introducing job evaluations and physically reorganising the factory, he determined "to buy the best equipment we could afford, spending more in five years than in the previous 15 years." He bemoans the fact that the government gives incentives for importing capital equipment but not for employing labour. "We know their argument about raising standards and staying competitive," he concludes, "but the social problems related to imported machinery replacing labour is a dilemma which hits me regularly."

A help, though, is the steel export promotion scheme which, in the bright bar industry more or less offsets the R10 ton extra cost to export Flather Bright is exporting 18% of their production to the US where it is competing against the local product to Canada South America Israel and Hong Kong.

In fact SA is well-placed to penetrate markets in the Far East - saws Hyslop because the costs of manufacturing here are less dependent on oil. A do-it-yourselfer who reads non-fiction - "I don't relate well to fiction." Its creative energy is channelled also into civic affairs. He's current president of the Springs Chamber of Commerce and Industries and convener of a newly-launched multiracial Education Foundation.

Lawrence Hyslop says his chamber colleagues, "it's still full of steam - we need to apply in respect of such a company, notwithstanding its insulation to be applied mutatis mutandis. In the winding-up of a company its debts the provisions of the law relating to insolvency shall, in so far as possible, be applied mutatis mutandis in respect of any matter not specially this Act.

ble and undue preferences.—(1) Every disposition by a company of its books made by an individual, could, for any reason, be set aside in the event may, if made by a company, be set aside in the event of the company and unable to pay all its debts, and the provisions of the law relating to mutatis mutandis be applied to any such disposition.

purpose of this section the event which shall be deemed to correspond order in the case of an individual shall be—

1. case of a winding-up by the Court, the presentation of the application, 2. that winding-up has superseded a voluntary winding-up, when it shall 3. passing of the resolution to wind up the company; 4. case of a voluntary winding-up, the passing of the resolution to wind up, 5. case of a winding-up of any company unable to pay its debts by the 6. superseding a judicial management order, the presentation of the 7. raising to the Court in terms of section 433 (1) or 440 8. or an assignment by a company of all its property to trustees for the 9. editors shall be void.

ons and share transfers after winding-up void.—(1) Every transfer of 10. being wound up or alteration in the status of its members effected 11. movement of the winding-up without the sanction of the liquidator, shall 12. disposition of its property (including rights of action) by any company 13. unable to pay its debts made after the commencement of the wind-ingless the Court otherwise orders

of assets and costs of winding-up.—(1) In every winding-up of a 14. shall be applied in payment of the costs, charges and expenses incurred 15. subject to the provisions of section 435 (1) (b), the claims of creditors as they would be applied in payment of the costs of sequestration

Financial Mail November 30 1979

(Lawrence Hyslop)

The steel industry is coming out of the worst recession since the Thirties and, declares Flather Bright Steels MD Lawrence Hyslop, "we survived.

The strategy: Cutting production costs. Instead of pushing up profits just by increasing prices, the 87-year-old electrical engineer-turned-businessman has spent his five years in the Springs-based company in hot seats, trimming overheads. And, he says, he's not talking about 'tea and toilet rolls' but about big items.

Lawrence Hyslop says his chamber colleagues, 'it's still full of steam,' and he insists there is no need to apply in respect of such a company, notwithstanding its insulation to be applied mutatis mutandis.
BLACK TRADE UNIONS

Seifsa's tough line

Seifsa's new guidelines on dealings with black trade unions have been bitterly criticised by both registered and unregistered unions. But Seifsa, which represents 5,000 employers in a sector which employs about half a million workers, is sticking to its guns.

It has asked members not to recognise black trade unions until they have received final registration and become a party to at least one of the three industrial councils in the industry.

Even if a union has provisional legal registration, employers should not recognise it. Seifsa has also recommended that there should be no "in-house" bargaining on matters that fall within the ambit of ministerial council agreements, that black trade unions should not be given access to company premises, or to place notices on company notice boards for the same purpose", and that employers should continue to use works and liaison committees for "effective employee/management communication at individual company level".

The guidelines also point out that in terms of the industrial agreements, members may not grant stop-order facilities to unions.

Hitting the unions

Trade unions have described the guidelines as an "anti-union" move. Some of the newly-formed "parallel" unions are applying for provisional registration and would thus be excluded from bargaining. And unregistered unions have long argued that employers' chief function is to represent members on the factory floor - a role which the guidelines expressly exclude.

They fear the guidelines seek to separate union leadership from the rank-and-file employees and their problems, thus weakening the unions.

The FM learns that at an employer-trade union consultation last week some employers tried to distance themselves from these guidelines. But Seifsa's director, Errol Drummond, asserts that "reports of unhappiness in the ranks is utter nonsense. If members were unhappy with the guidelines I would have been the first to know". Other sources claim that employer reservations have been overstated.

Unions are convinced that Seifsa is trying to make life difficult for black trade unions. States Jane Hlongwane, general secretary of the unregistered Steel, Engineering and Allied Workers Union, "I am not surprised. For years Seifsa has taken that line".

Stakes Sihlakane, general secretary of the Consultative Committee of Black Trade Unions (to which Hlongwane's union is affiliated) has accused Seifsa of interfering. "They are trying to force unions to register. This should come voluntarily from the unions. And they are interfering in company affairs by suggesting that unregistered unions should not be granted access to company premises."

Fosatu's Alec Erwin says, "We are not happy with the guidelines. Clearly, Seifsa is trying to force everything through the industrial councils."

Some assert that Seifsa should take note of the recent unrest at Ford and General Tire, which they argue, shows the need for a strong union presence on the factory floor as a bulwark against unrest. But Drummond reckons that "if Ford had similar guidelines then it would not be in the picket it's in now." Moreover, he adds, an analogy cannot be drawn between Seifsa's stand and General Tire, which refuses to deal with black unions.

A number of companies that see themselves as pace-setters in labour matters, such as Anglo American and Barlow Rand, have subsidiaries that are members of Seifsa. But Anglo does not see a conflict between the guidelines and its own industrial relations policy, which supports dealings with unions on the factory floor. Says Anglo's Graham Boosted: "The idea that Seifsa is against black trade unions is ridiculous. Seifsa's whole record is one of encouraging participation. We are in favour of black workers exercising trade union rights through the industrial council system."

And one of Barlow's subsidiaries has had dealings with the unregistered Metal and Allied Workers Union. According to a Barlow's spokesman, the company will continue to have dealings with the union. The firm is currently defining its position in the light of the Seifsa guidelines, he adds.

Many registered trade unions have also come out strongly against the guidelines, arguing that they are not in the interests of Labour relations and will inhibit the unionisation of blacks. Says SA Electrical Workers Association general secretary Ben Nicholson: "I'm afraid that black trade unions will become unco-operative, because employers have tried to hinder their organisation." And he adds that Seifsa is not keeping to the Saccola employment code, which states that employers should not hinder the organisation of workers.

Seifsa's Drummond - no unhappiness in the ranks

Financial Mail November 30 1979
FOUNDRIES

Steeled for growth

With expected output this year up 12% to 684,000 t, SA's foundry industry has embarked on a new round of capital expansion which will lift capacity in certain sectors by as much as 80%-100%.

The renewed growth follows a savage decline in SA foundry output since 1976. Dave van Niekerk, president of the SA Institute of Foundrymen, explains that plant replacement has become essential in many sectors following a prolonged period of minimal investment.

"The industry, at present, is working at 60% of potential capacity. Foundries have realised the need for rationalisation and greater efficiency in order to improve their position in relation to their competitors."

Local demand is still insufficient, says Van Niekerk, but the expansion of the mining, armaments, petro-chemical and building industries is expected to stimulate the foundries.

The motor industry's local content programme plus the Atlantis Diesel Engines project suggest increasing demand from the automotive and transport equipment sectors. The implementation of import substitution programmes are aimed at further expansion of the local market.

"Improved export performance is expected, with the ultimate aim being long-term penetration of the export market," he adds. "With increasing demand from both the United States and Europe, there is a need for higher quality and greater efficiency."

Jurgen Drust, MD of Chamidor Stainless Cast Products, notes: "The export market has widened for certain sectors owing to the collapse of a number of smaller overseas foundries under the weight of stringent anti-pollution legislation."

Local legislation has not been as restrictive as that overseas says George Strubel GM of GEC Springs. The size of the industry does not justify extensive pollution control, which could harm the industry. But, he adds, a clean-up of the foundries has improved working conditions. As a result, the industry has become more attractive to potential employees.

Brian Thomas of B Thomas & Pilliner feels the shortage of skilled labour is another reason behind the mechanisation drive, particularly in foundries engaged in mass production. This solution is not open to the smaller jobbing foundries who use more generalised machinery requiring greater operational skills.

Quality has also become a vital factor. John Chatterton, top UK foundry consultant, stresses that "foundries have been forced to invest in extensive modernisation programmes to meet their clients' demands for greater precision."

Major developments among the 224 foundries in SA

Selcast, a wholly owned subsidiary of Stewart and Lloyds, is spending R15.7m on expansion and modernisation which, according to group MD Percy Levick, "will make us the foundry leaders of the southern hemisphere."

Chamidor Stainless Cast Products has doubled its output in the past year. "Although we have an extensive overseas market, our investment is aimed solely at coping with local demand," says MD Jurgen Drust.

Modernisation

Benoni Engineering, a subsidiary of E C Lennng, has embarked on a R7m modernisation programme aimed mainly at improving output quality.

Vickerts Lennng, a subsidiary of E C Lennng, was brought into operation a year ago with a total investment of R1m. The plant is at present working at full capacity and a further investment of R0.5m will be necessary to meet demand.

B Thomas & Pilliner has invested R0.5m in electric melting facilities and sand reclamation equipment which enabled diversification into steel and alloy castings.

East Rand Engineering embarked on a plant expansion and modernisation programme to the tune of R1.5m, designed to increase malleable capacity by 50% and grey iron capacity by 100%.

Prima started a "significant investment programme" about four months ago designed to increase capacity by 20%. This increase is specifically designed to cope with exports mostly American.

Chamidor Iron & Brass Foundry's heavy vehicle truck and trailer components sector has started a two-year expansion programme to increase output by 50%. Thus, together with a quality control programme, involves an increase in investment of 30%.

ARC has increased capital investment by 10% which will increase output by 10%.

Boksburg Aluminium has doubled up on floor space staff and plant. This has increased output capacity by 30%.

GEC Springs has just completed a R10m investment. This pushes output up by 4000 tonnes. "A large part of the investment involved the installation of essential pollution control equipment," says GM George Strubel.

The future looks good. That seems to be the general feeling gauged from the 30 odd foundries interviewed by the F&M.
"The market is extremely buoyant. On the steel castings side, foundries looking for business a few weeks ago now have a 6-month delivery schedule. This has been due mainly to the pick-up in mining," says Chatterton.

Brian Cohen, Chamdor Iron & Brass MD, sees an "increasingly important role being played by the smaller to medium-sized foundries, particularly the more specialised units." MD of Bobkburg Aluminium, Samuel Nock, agrees: "I've been in the business for at least 30 years and the last two have been the best thus foundry has ever seen."

RETAIL JEWELLERS
All that glitters

Despite — or perhaps because of — the world gold boom, there has been a real decline in SA retail jewellery sales in the last two years. Higher gold and diamond prices have both stimulated and inhibited local consumer demand in different market sectors. But on balance the trend is down.

Retail jewellery sales should be 6% up this year to R128m. With increases in jewellery prices ranging between 15% to 35%, this amounts to negative growth in real terms.

But the big operators are satisfied, and two of the biggest, Sterns and American Swiss report sales ahead of total market growth.

Sterns is coming strongly out of a sales slump in 1976, which, says chairman Syd Barnet, was the direct result of the introduction of the two-year military call up. "In that year nobody was coming out of the army to get engaged," he says. "It was only at the beginning of 1979 that army boys were sufficiently established to think of buying engagement rings." With rings accounting for 42% of the market, it is not surprising that engagement specialists Sterns felt the pinch.

Part of the success of the big chains seems to stem from their anticipation of changing fashions within a changing market. "We foresaw the gold chain rage," says Barnett, "and accordingly ordered well in advance at a good price. The same applies to the earring trend. We stocked up in time when we saw the swing to short hair."

Clive Hirschsohn of American Swiss believes that the market has split into two distinct segments — those with less disposable income who must have an engagement and wedding ring, come what may, and those with more to spend whose appetite for jewellery has been sparked by the world bullion rush.

Of the first category, he says, "Costs have gone up so we have kept prices more or less constant by reducing the size of some of our pieces. It has opened a new market for smaller diamonds, because a cluster of small diamonds costs far less than one large diamond of the same caratage."

But at the other end of the market, on a smaller scale, the trend is for more and heavier hardware. Women, short of space on their necks which already carry several chains, are putting chains around wrists, ankles and stomachs. Traditional adornments, which are becoming heavier, are being supplemented by gimmicks in gold like discs bearing messages of love, the controversial gold "nuggets", identity tokens, and gold plates inscribed with calendars of the wearer's birth month with a small diamond on the birthday.

Yvonne Marsland, Sterens' gold and silver jewellery buyer now identifies a pre-engagement market among the more affluent young. "It is now more common for young men going to the dangers of border service to exchange gold jewellery with their sweethearts," she says.

Heavy gold adornment is gaining favour with men as well. Traditional tie-pins and cuff-links are being replaced by heavy bracelets and neck-chains. Even children and infants are being regaled with gold bracelets, pierced earrings and bobbles.

Marsland also notes a swing in spending by young women from clothing to good jewellery. Says she, "Some working girls are realising that the money they spend on clothing is as good as lost in two years' time, but an investment in jewellery can only appreciate for the rest of their lives."

PUBLISHING
Having a Ball

After two years in the business, Jonathan Ball Publishers (Pty) has negotiated a potentially lucrative contract with UK publishers, Hodder & Stoughton. What comes out of it is a "completely restructured company, Hodder and Stoughton SA," says Jonathan Ball, 20-year-old MD of both Jonathan Ball Publishers and the new company. He won't disclose link-up terms other than to say "It was a matter of an exchange of interests in this new marketing company."

Hodder and Stoughton SA will be primarily a marketing organisation selling Hodder & Stoughton books as well as books published by Jonathan Ball Publishers. Wedenfield & Nicholson and Michael Joseph, Sphere Books and Hodder & Stoughton's paperback imprint, Knight and Coronet, are also on the list.

Ball expects 1980 turnover to be "in excess of R22m. We'll be marketing 1 000 titles a year. UK Hodder and Stoughton turnover in 1979 is expected to top R22m. Jonathan Ball Publishers' turnover in 1979, its first year of operation was R240 000. Ball expects R300 000 in 1979. R450 000 in 1980. Profits are expected to be R120 000 this year. "But we're putting together two organisations and most of this goes into continued growth."

JB Publishers published 15 titles this year.
It is a beautiful and moving work which seems to havejumped through the age of words and found the door of this

Thorough way. ROBERT GRIEG, To the Point

settled which physicians it is subject in a satisfyingly

He can seize a detail and render it emplomatic write

Peter Horn's poetry is prickly and sharp, piercing

Poems sincere to the point of pain. RUDOLPH WILKES.
A Royal slips but still goes at cracking pa

IN THE past year, Otis' five-year compound earnings rate shaved marginally lower, from 35.9% to 35.1%.

But whereas last year this was enough to take Otis to the top of both the Top 100 and the Royal lists, this year the company can manage only 5th overall and 2nd in the Royals.

It's no fault of Otis' others have simply grown faster, and it's still a pretty good achievement.

Managing director Brian King has no doubt why Otis has kept up this cracking pace. "I'm 150% sure that the greater thing behind this company is our people," said Mr King.

"Take our nine field managers Their average age is only 43 but they have an average length of service of 27 years. They've grown up with the company and they're committed to it. But we do have a counterbalance to this tremendous technical strength in that four of our 18 top management people are graduates.

"This brings an academic leaning, and of course many of our field managers have had management training."

"A little lower down the scale, we have 45 first-line supervisors Their average age is 46, with 22 years' service."

"This year, no fewer than 20 employees received 20-year service awards, while of our total staff of 860, about 12% have been with us for 25 years or more.

"Nearly 50% of our artisans field staff served their apprenticeships with us, which shows that unlike many companies - we have accepted the responsibility of training our own labour."

"In the past two years our controllable labour turnover has been only 12%, against the comparable national average of 25% to 30% a year."

"Another aspect of Otis' commitment to developing its' skills is that, via its' Urban Foundation, it is one of the major donors to the Junior Service Training Centre near Krugersdorp."

In addition to a R50 000 initial sum, Otis' R40 000 a year this year, next to send trained artisans on three-week courses at the school. This training facility for the first of its kind in SA is available to all companies in the lift industry.

At the same time Otis is another company that has benefited in recent years from starting on a low base in the late sixties and early seventies. Otis took a cold bath on the construction side with some heavy losses on big installation contracts.

Loses rectified

This depressed profits in 1972-73. These losses have now been rectified and with the adoption of new and better tendering practices and tight construction disciplines Mr King does not expect the problem to recur.

However, Otis remains vulnerable to fluctuations in building contracts. The results for the year to November 1978 (Otis' latest for this survey) benefited from the bringing to account of profits from some large completed contracts (Johannesburg's Sunlam Centre, Stadsaal in Pretoria and Customs House in Cape Town).

With no major completions, interim figures for the year just ended showed a sharp decline, and those for the full year are also certain to be off.

For at least a year or two, this could push Otis well down in the rankings again.

This does not bother King too much Operating in a highly-service-oriented sector, apparently excessive increases in profits, when measured by such yardsticks as this survey, can induce adverse customer reactions. What concerns him is to maintain the level of service to clients.

Electromechanical equipment can always break down Otis is continually monitoring the level of service and on the lookout for new ideas, where its international associations are invaluable.

Busy team

Not only does Otis have its own head office engineering team busy all the time on checking and auditing, field audit teams are sent out at random intervals from both Europe and the US Otis SA ranks high among the worldwide subsidiaries of the Otis group.

It is particularly proud of the fact that in 1978 the Carlton Hotel chose the firm as its Supplier of the Year, out of some 400 organisations supplying the hotel.

With no immediate signs of a pick-up in building construction, where will Otis derive new business growth in the next few years?

Mr King points out that building is far from the only market Otis supplies mining and industrial lifts as well. An unusual current installation is a decor lift at the new Pietersfield (Performing Arts Council of the OPG) theatre in Bloemfontein - the first time this particular design has been used in SA.

Another important area is modernisation or replacement of existing installations.

And, of course, Otis is still sitting on a R200 million mountain - R8 million at last count. As it has been unable to find suitable takeover acquisitions this has enabled it to pay dividends in excess of earnings in the past two years.

Says Mr King "There's no point in building up liquid resources in the company when, for example, short-term interest rates are so low. We've looked at many propositions but we have certain very specific skills and expertise, and to find the right marriage is not easy."

Competitive market

"Also, it's a very competitive market lots of other people are looking for acquisition, too. Maybe groups like Barlow Rand or Murray and Roberts have the head office resources to investigate propositions more fully."

Otis is a subsidiary of the US United Technologies group, which in July completed a hostile contested takeover of Carrier, a leading producer of (among other things) air conditioning systems. Especially on the service side, possibilities of rationalisation between the Otis and Carrier interests in SA would seem a natural.

However, a rationalisation so far from the US could create problems under that country's anti-trust regulations, so Otis may be prevented from undertaking these obvious extensions of its business.

Still, it seems a safe bet that some time Otis will find a way of employing its cash in a new direction, which could set off a new phase of organic growth and also instate the company to some extent against the inevitable fluctuations of activity in the construction sector.
Bad times — but Asea kept growing

COMPANIES supplying heavy equipment to the engineering sector have not all had the happiest times lately. Asea's ability to produce steady growth in recent years in the face of a downturn in fixed investment stems from several reasons.

In the first place, over the three years from 1976 to 1979 invoiced turnover continued to grow, but outstripped orders received, so that although activity remained high, the order book was being eroded.

The second factor is not unrelated to this. Orders for big transformers can take years to execute, so that profits brought to account in a particular year do not necessarily reflect general business conditions in that year.

Thirdly, and perhaps the most important, Asea's biggest customer is Escom, which has continued to spend virtually uninterrupted on increasing generating capacity.

Derek Keys, Asea's chairman for the past 18 months, therefore stresses that his company's gradual climb up the Business Times Top 100 Companies lists (39th in 1977, eighth last year, and now third) is the result of our long harvest time.

"In fact, our results really start to pick up about 10 years ago. When our present managing director, Rolf Lunarsson, came out from Sweden, we still have a very good relationship with our Swedish principals. They're nice people to do business with, they want to stay in this country and help develop the local economy."

Mr Keys does not see political problems jeopardising this relationship. "Asea is not affected by Swedish legislation against trade with SA, as Asea Sweden has only a 49% interest in us.

"In retrospect, it was very far-sighted of them to disinvest to that extent, back in the sixties. With a relatively moderate government now in power in Sweden, I can't see any extension of the legislation. Of course, there's pressure from the media from time to time, but no worse than in any other country where companies have subsidiaries here."

At the same time, Asea SA has developed its own independent facilities as much as possible. About 80% of the equipment sold are now made locally, and Mr Keys stresses that this is genuine local manufacture, not just assembly. If the local company can buy its requirements more cheaply elsewhere, it is under no obligation to buy from Sweden. Its core steel, for instance, is currently bought in Japan.

Mr Keys says that when he took the chair "I was warned that the first couple of years would be difficult, but that thereafter we'd get back to a strong growth rate again."

"In fact, thanks to the energy crisis, the pick-up came faster than that. Contrary to our earlier expectations, profits in the first half of our current year were up on the previous year. Escom's capital programme is accelerating, and we're now back in the happy position that our current order intake is in excess of sales, so the order book is being built up again."

But Asea is not only being...
Bad times, but Asea kept growing

From Page 4

carried along in the wake of Escom. It has spent considerable sums on capital investment in recent years, both extending and sophisticated the product range. Power transformers can broadly, be divided into three categories: large, medium and small.

Asea has a dominant position as regards the big transformers and is a strong competitor in the middle of the market. Through Aseatac, originally set up in partnership with the IDC, it soon to become wholly-owned. It is now going into a new field of local manufacture, with a plant to make capacitors and distribution transformers—the smallest used in reticulation systems.

"At this stage, this project is very much an act of faith. But we believe that our plant is so modern and well-designed that our prices will be unbeatable," says Mr Keys. "We're just about to go into production, and we hope this will give us the lion's share at the small end of the market as well."

At the point of peak funding, it was expected that some R10-million would be involved in Aseatac so for a company with only 106 million shares in issue, which will be issued by a few hundred thousand when the IDC is bought out of Aseatac, if this project is successful it could obviously have a significant effect on earnings.

The energy crisis will undoubtedly continue to increase emphasis on electricity as a source of energy. Whether it is generated from coal or uranium is beside the point. While Asea's rate of earnings growth may well taper off this year, the odds look good that next year will be a good decade for it.

5. COMMITTEE REPORTS


Report of the Commission of Enquiry into Company Law (Van Wyk de Vries)

6. MISCELLANEOUS

Memoranda, study papers and specimen agreements provided by Van Rulstoven, Guthrie and Sander, and Bell, Dewar and Bell. Both are firms of attorneys in Johannesburg.
Berzeck Bros Booms — but what about shareholders

(89) 2/12/79

(89) 2/12/79
Design, Construction

Our business comes in

now plays big role

The chairman, 189

We're very aware and concerned that government and industry may mean anything different.

"We're very aware and concerned that government and industry may mean anything different."

"Supervision of Edward L. Baderman, business manager, is no longer a far-off thing in the Baderman Organization's mind. Baderman's back at the business now, and he's working hard to prevent the same type of mistakes from happening again."

"We're very aware and concerned that government and industry may mean anything different."

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Engineering still needs a boost

By Pieter de Vos

Though conditions in civil engineering have improved, the industry has not yet fully shared in the effects of the economic pick-up.

The outlook for 1980 points to an increase in work, but a return to the boom conditions of the mid-seventies is not expected.

The Federation of Civil Engineering Contractors says in its quarterly review that though new contracts in the first nine months of this year were 40 percent up on the corresponding 1979 figure, it must be borne in mind that the value of contract awards last year was very low.

Although there have been a number of new major contracts, more work is still required, particularly in the field of smaller contracts of R1m and less.

As a result, competition remains keen and prices have still to return to realistic levels.

Construction activity, which so far this year has not yet reflected the better order intake, accelerated during the third quarter, and output estimated at R450m is 10 percent up on the previous quarter.

The better economic outlook, however, as well as new mining and industrial developments and the further expansion of the country's infrastructure, will require an increasing volume of civil engineering work.

Restrictions on Directors, their Powers and Certain Acts

221. Restriction of power of directors to issue share capital.—(1) Notwithstanding anything contained in its memorandum of articles, the directors of a company shall not have the power to allot or issue shares of the company without the prior approval of the company in general meeting.

(2) Any such approval may be in the form of a general authority to the directors, whether conditional or unconditional, to allot or issue any shares in their discretion, or in the form of a specific authority in respect of any particular allotment or issue of shares.

(3) If any such approval is given in the form of a general authority to the directors, it shall be valid only until the next annual general meeting of the company but it may be varied or revoked by any general meeting of the company prior to such annual general meeting.

(4) Any director of a company who knowingly takes part in the allotment or issue of any shares in contravention of subsection (1), shall be liable to compensate the company for any loss, damages or costs which the company may have sustained or incurred thereby, but no proceedings to recover any such loss, damages or costs shall be commenced after the expiration of two years from the date of the allotment or issue.

222. Restriction on issue of shares and debentures to directors.—(1) No provision in any memorandum or articles or in any resolution of a company authorizing the directors to allot or issue any shares or debentures convertible into shares of the company at the direction of the directors, shall authorize the allotment or issue of any such shares or debentures to any director of the company or his nominee, or to any body corporate which is or the directors of which are a subsidiary to act in accordance with the directions or instructions of such director or nominee, or at a general meeting of which such director or his nominee is entitled to exercise or control the exercise of one-fifth or more of the voting power, or to any subsidiary of such body corporate unless—

(a) the particular allotment or issue has prior to the allotment or issue been specifically approved by the company in general meeting, or
LION MATCH
Acquisition plans?

Improving profitability in Lion Match serves merely to compound management's problem. The company has to invest its funds in an operation which will not dilute the current return on capital of over 20%. Obviously, the alternative of paying all excess funds back to shareholders is not going to be pursued in spite of some motivation for that thought when the company paid a 6c a share bonus in the year to end-March 1978.

Improved profits in the six months to September 30 have allowed a 22.2% hike in the interim dividend to 11c a share. But the company's tradition of twice-covered dividends has been left intact, thus further bolstering retained earnings and cash on hand—which earned R201,000 interest during the six months under review. The company is likely to have over R5m to invest and, although chairman Alan Williams says no significant capital commitments have yet been made, the unchanged payout policy suggests an acquisition announcement shortly.

Improved trading

In the September interim period, all of the group's divisions (matches, packaging and printing and personal products, such as blades and sunglasses) benefited from "an improved trading climate and better operating efficiencies". Turnover rose 17.9% to R22.5m. After a marginally lower tax rate and a doubling of interest earned from the group's cash resources kept on short-term balance, net profit rose 26.6% to R2.1m. Divisional contributions are not broken down but the largest contributor, matches, makes at about 50% of improved profits on higher turnover. After cost saving exercises, Interpak's profits were 'quite well ahead' in the highly competitive, low margin, shaving market.

Wilkinson Sword improved its share in an improving market while Camague sunglasses increased their penetration. No mention is made, however, of whether this market share has yet started returning profits for the group.

Williams expects the consumer spending upswing to carry on through to September 1979 at least. The increased level of profitability is forecast to be maintained. Thoughts are being given to revaluing assets, last valued in 1969. This will reduce the return ratio but will further increase borrowing capacity already under-utilized at a 2% debt equity ratio.

Prospects in the medium to long term are good, but the share is tightly held with 65% owned by Wilkinson Match (UK) and only 35,000 of the remaining 3m shares traded in the last quarter at 39c the share yields 8.36%. Although this is a far better yield than the sectoral average of 4.5% the tight margins and intense competition in Lion's operating areas should prevent any lower yield. Dividend growth is Lion's strength, however, and the share is a good hold.

Jonathan Harper

Financial Mail December 7 1979

level would be difficult in the prevailing economic climate. In part he was right. Although turnover improved 15.4% to R57.2m (R49.6m), operating profit felt the squeeze of tighter margins in a highly competitive market, and fell 3% to R3.7m (R3.8m). But an improved contribution of R600,000 (R325,000) from associate GFCM, coupled with lower tax charges arising from export incentives and rebates, meant attributable earnings advanced 16.5% to R3.4m (R2.9m).

The group finalised two acquisitions during the year, the full benefits from which should flow through this year. In June, Sidings Construction, which operates in the railway and ancillary services fields, was acquired for 250,000 Cementation shares and R600,000 cash. This acquisition, effective March 1979, was expected to have no immediate impact on group assets or earnings. The same consideration applied to the purchase, announced in September and effective October, of pattern maker and foundry operator W D Wiggill.

With order books substantially fatter than a year ago—especially for 50% owned Gold Fields Cementation Mining—which has landed a R12m shaft sinking contract from Sasol and others at Botrust and Black Mountain—and improving margins, a further profit advance is slated for the current year. The 16.5c dividend puts the share, at 235c, on a 7% yield, though prospects of a higher payout this year may be insufficient for the shares to be re-rated.
Triple concerto

Three powerful associates have now positioned themselves to stake out a dominating position in the SA mining equipment industry. They are Beart International (in the Amec stable) and General Mining, already equal partners in Coalequip, and Klockner-Becorit, an important German engineering concern.
Firms warned off Seifsa union line

By RIAAN DE VILLIERS
Labour Correspondent

THE Federation of South African Trade Unions (Fosatu) has called on member companies of the giant Steel and Engineering Industries Federation (Seifsa) to ignore Seifsa's recentlyissued guidelines for dealing with black unions — or force it to change them.

In a statement, Fosatu — which has predominantly black affiliates — warns that the guidelines could damage relations between unions and companies and might increase the level of tension between employers and employees.

The statement has fueled controversy over the Seifsa's policy guidelines to member companies on how to handle the unwinding of blacks workers.

Fosatu points out that the guidelines require Seifsa members:
- Not to deal with a representative of a black union before establishing whether the union has been registered,
- Not to recognise any union without full registration,
- To refuse to negotiate on in-house issues on any matter covered by the industrial council agreement for the industry,
- Not to give any organising facilities to unions "allegedly catering for black workers",
- To make stop-order subscription facilities only to unions which are members of the industrial council,
- To retain union or works committees or works councils to cater for communication at company level.

The statement charges that Seifsa is recommending that companies concede the "bare minimum" in their recognition of unions.

Describing the continuation of in-plant committees as "the most worrying of all", the statement says Seifsa clearly believes its members should hang on at all costs to the "completely discredited committee system" and exclude any union role in their plants.

It points out the Wabahin Commission clearly recognised the need for black workers to have union rights.

"But to allow workers to belong to unions and then to refuse the unions the right to play any part in the plant is nonsensical and dangerous."

Union sources say some employers have argued to them that the guidelines have been misinterpreted — but the sources add that many other employers interpret them the way the unions have done.

Officials of unregistered unions report that companies which have had links with them in the past now refuse to deal with them until they register and become industrial council members.

Dr Errol Drummond, Seifsa director, said yesterday the guidelines made it clear Seifsa was not opposed to black or mixed unions.

"Our industry operates under the Industrial Council system which has been the vehicle for industrial peace over a number of years. We want to involve black and mixed unions in this dispensation."

On the issue of dealing with unregistered unions, Dr Drummond said Seifsa did not want to become the battleground for conflicting trade union ideologies.

"Registration would establish the bona fides and credentials of the unions concerned."

"We're not concerned with de facto situations because the law provides for de jure situations. Registration is obviously an essential element in this."
Mr Lucas Kgowe is presented with six months' salary by Mr Arthur Sneath for having worked for 40 years without missing a day.

Every day for 40 years

By LEONARD NEILL

WHEN Mr Lucas Kgowe boards the tram for Gaborone tonight he will carry with him a building society book showing six months' wages as a present from his employers and a record of not having missed a day's work in 40 years.

Mr Kgowe, 78, has decided that the time has come to retire. He goes home to his wife and daughter on his Botswana smallholding after having spent more than half his life working for West Rand Engineering Works in Krugersdorp.

"We have a remarkable record of long service in this company," the works director, Mr. Arthur Sneath, said. "But the fact that Lucas has not been absent a single day since he joined us in 1939 is an amazing achievement."

It is the company's policy to reward its long-service employees on retirement. In Lucas's case he was given a cheque equivalent to 25 weeks' salary at a company function on Monday and deposited it in the building society. He will also receive a regular pension.

He assured his colleagues as he left the company yesterday he would be visiting them regularly. "They are my friends," he said. "I will miss them very much."
AFROX

Gas lifts profits

Activities: Manufacturer and distributor of industrial and medical gas and equipment, welding consumables and electrodes. Subsidiary: Dawson & Dobson is a major supplier and manufacturer of mining and heavy equipment. A 50% stake is held in Silicon Smelters. Ultimate holding company is BOC International of UK (60%)

Chairman: J B Sutherland, managing director P G Jobjest

Capital structure: 20.4m ordinaries of 50c Market capitalisation R79.4m

Financial: Year to September 30 1978

Borrowings long and medium term, R10.6m, net cash R4.6m Debt/equity ratio 12.8% Current ratio 1.7 Net cash flow R11.9m Capital commitments R10.5m

Share market: Price 270c (1977 78 high 270c, low 130c), trading volume last quarter, 184 000 shares) Yields 14.8% on earnings, 6.5% on dividend Cover 2.3, PE ratio 6.8

Return on cap % 19.1 21.1 27.1 20.1
Turnover (Rm) 121.4 142.7 112.5 111.1
Gross profit (Rm) 13.1 17.4 18.0 21.7
Gross margin % 10.8 12.2 15.7 16.1
Earnings (R) 21.7 26.7 34.4 40.0
Dividends (R) 10.5 17.0 18.0 17.5

* Afer deducting credits in respect of cylinder revaluations

On a 2% increase in turnover, trading profit jumped to a commendable 15% to R71.7m. The substantially lower growth in turnover was largely due to the sale of several subsidiaries.

The results are an excellent example of "marginal profitability" in a capital intensive industry. During the recession when demand for gas slowed, prices were adjusted to maintain respectable profits while sitting with surplus capacity. Now that industrial demand has picked up the extra throughput is cream. Afrox’s sales accounted for R70.5m of the group’s total turnover of R134.6m, and 78%, or R17.8m (R15.3m), of pre-tax profits, giving a substantial 22% pre-tax profit margin.

Dawson & Dobson’s turnover slipped from R59.1m to R53.1m but pre-tax profits were little changed at R5.2m (R5.3m). Pre-tax profit margins were pushed up from 9% to 9.8%

A smaller loss from Silicon Smelters boosted overall profits. During the year Afrox increased its stake from 33% to 50% for a nominal sum as US based Foote Minerals pulled out. Afrox’s share of the R2.6m loss amounted to R882 000 (R1.3m). Afrox is not allowed to offset this loss against tax. Silicon Smelters appears to be turning the corner, as with increased world prices of silicon, an operating surplus was made in August and September. Results in 1979 are expected to be substantially better, although this is not to say that Silicon will make profits.

Afox worked hard to improve liquidity. The interest bill is down 5% to R678 000 although net debt of R5.9m lower if stocks had been valued on the life basis. And this, presumably, will be the next move to give a realistic earnings figure.

Asset revaluations were based on latest replacement costs. During the year all plant and machinery and major properties were revalued, which increased depreciation by R790 000 and the net book value of assets by R12.6m. To date all revaluations of fixed assets have increased the net book value by R35.2m and the annual depreciation charge by R1.9m.

This year capital expenditure of R10.5m on the new gas producing facility and welding plant, should prevent any problems, with cash flow likely to exceed last year’s R11.9m.

The group incurred a R581 000 extraordinary loss on the sale of freehold properties which were valued on the depreciated replacement cost basis, although in effect a small profit was made on the sale.

On an earnings increase of 29% to 40.9c (31.8c) the total payout has been pushed up 25% from 14c to 17.5c. At 270c the share yields 6.5% which is slightly below the sector average. In view of the anticipated growth, particularly on the gas side, as well as from Dawson & Dobson, it is fairly valued and suited to long term investors.

Afox's Sutherland accounting for inflation

(representing 7% of equity funds), is slightly up on net debt of R3.6m (5% debt/equity ratio) for the previous year.

Afox, in line with its conservative accounting policy, has provided for the first time a supplementary current cost income statement. This shows earnings of 36c per share instead of 40c published. The difference is very small as the group’s depreciation policy has largely taken into account replacement costs.

But on the published profit and loss account, earnings would have been still
FARM EQUIPMENT

Back in the black

With good farming weather, the sales outlook for heavy duty farm equipment is improving dramatically. August-September/October sales of tractors, combine harvesters and balers show substantial hikes compared to the same period in 1978.

For the three-month period, combine harvester sales rose 127%, from 49 units to 111, balers improved sales 84% from 93 units to 171, and tractor sales are up 19%, from 3,176 to 3,470.

Although the three-month period reflects a healthy increase, calendar year sales in 1979 still lag behind 1978 because of a slump in the first half. Combines sold 480 units during 1978 at a value of R2,3m. Sales during 1979 are expected to be only 320 units, value R1,6m. Sales of balers during 1979 totalled 886 units value R3,7m, but in 1979 are expected to total 690 units, value R3,6m.

The improved outlook, says Malcomess marketing services manager Dr K.M. le Clus, is due to several factors. The downturn in the second half of 1978 and the first half of 1979 was due to a large extent to tough credit restrictions applied by financial institutions following the rise and fall caused by a sharp rise in farmers' debts.

At the end of 1977 farmers' debts to the Land Bank had increased 37% from December 1973's R3,975m to R5,12m, debts in commercial banks had risen 88% to R560m, debts to co-ops 16% to R1,29m, and to financial institutions by 44% to R4,457m. In fact, says Le Clus, "these rises were in line with farm trends. The figures were affected by the high rate of inflation, so were misleading.'

Because of the restrictive policies applied, farmers' liquidity was adversely affected which in turn affected sales of heavy equipment. Coupled with this were low yields in summer crops because of severe drought conditions, and prices of wheat held at unrealistically low levels. Production cost increases were estimated at 20%. On value farmers output was down an estimated 24%-35%.

Things are improving. The wheat crop now being harvested is expected to be a bumper one. Moreover, wheat prices have risen 13%, so Le Clus predicts farmers will increase wheat income by 70%.

Current favourable climatic conditions auger well for maize, grain, sorghum, peanut and sunflower crops to be harvested in April-May/June-July.

Excellent spring and summer rains mean that 1978 maize crops for example could increase from this year's 7.5 Mt/8 Mt to a healthy 10 Mt. Prices are expected to rise some 20%-23%. The peanut "voorsait" is expected to hike at least 20%.

If all this comes about, "farmers will be in the black again and we can expect normal buying patterns of heavy equipment," says Le Clus. He is confident sales of tractors, combines, and balers will 'pick up exceptionally well' in 1980.

Tractor sales in 1980 are expected to reach 13,000, worth R188m. Combines are expected to top sales of 500, worth R24m, balers should sell 700 units worth R4.5m.

Major distributors are loath to reveal market share, but 1978 sales of tractors put Ford at the top with 22.5%, Massey Ferguson 21.5%, Veibak 19.4%, John Deere 14% Malcomess 6.3%, International Harvester 5.3%, Deutz 4.4%.

In combines Malcomess leads with 37%, Massey Ferguson 24.5%, John Deere 18.2%, Veibak 10.3%, Deutz 8.4%. International Harvester 7.4%.

In balers Malcomess leads with 27.8%, Veibak 22.3%, North 20.6%, Massey Ferguson 17.6%, John Deere 10.5%, International Harvester 6.3%, Deutz 2.5%. Independent makers make up the difference in all three categories.

The FIAT found little support for positive crop forecasts from grain market agents. Kahn & Kahn says Alfred Kahn, "There's no way in which we can forecast the maize crop at this stage. It's only been just been planted. Right now climatic conditions are extremely good but the critical months are January/February. That's when you have to get rain. If all goes well there should be a tremendous crop. We couldn't say to what extent it would be a record crop; we don't even have the figures of the planting area yet.'

Farm equipment... digging in for a good year.

Financial Mail December 28 1979
F.M. 28/12/79 (83)

MINING EQUIPMENT

Whispering giant

Question: What multi-national industrial group is controlled from SA and operates in five continents with a current turnover of nearly R300m?

Answer: Boart International, a wholly-owned subsidiary of Amec in the Anglo Group.

Boart, because it is unquoted, usually only commands a sentence or two in annual analyses of its parent's accounts. And management is not altogether unhappy to operate discreetly, because too much publicity about their SA affiliation might very well hurt some of Boart's overseas subsidiaries.

Nevertheless, there is much that deserves to be said about Boart, whose financial track record alone speaks volumes for management. After a low point of under R1.5m in 1972, group after-tax profits rose 12-fold in only six years, to well over R19m in 1978.

Attributable profits were R17.7m, arrived at after deconsolidating the profits of certain foreign subsidiaries, as, in the directors' opinion, they may not be recoverable.

These profits were generated by "diamond drilling and allied manufacturing activities" (47%), "hard metal manufacturing and allied trading and contracting activities" (36%) and "other manufacturing activities" (17%).

It all started way back in 1938 when Anglo-American was desperate to find a market for Congo bored (low-grade industrial diamond) which had accumulated during the depression. The problem was solved by the development of a cheap and efficient diamond drilling crown (subsequently used to great effect in the exploration of the OPS gold fields).

Diamond drills led very logically to tungsten carbide mining tools (in 1940) and so a diversified supplier of mining equipment and hardmetal tools was born.

An important milestone was the take-over of Barratt's Industries in 1975, which added the rock-drilling equipment of Steel Engineering (Seco) and the iron foundry at Barratt & Pillans. Today, Boart's activities extend to the manufacture of its major raw material, tungsten carbide, and to mining services provided world-wide on a contractual basis. These include exploratory and blasthole drilling services, specially those offered by its American subsidiary, Longyear, which is particularly active in core drilling. Longyear also supplies drilling equipment.

Boart recently extended its local activity in coal mining equipment through a partnership between Coalequip (owned by Boart and General Mining, 50:50) and the German coal mining equipment firm, Krücker-Beckeort (F.M. December 7).

Boart has a factory at the industrial "free port" at Shannon, Ireland, where Boart Hardmetals (Europe) Ltd serves European mining industry. In Germany, Wendi Gmbh manufactures impregnated grinding machines.

SA provides 80% of consolidated profits, North America 20%, Europe including UK 15%, and South America, Australia and the Far East, between them, 20%.

Boart has a group business development division (operating from Johannesburg and the UK) which provides international marketing and corporate planning.

The Boart Research Laboratory, at Factoria, Krugersdorp, develops new mining products which can be tested at the Boart "test mine" nearby.

Managing Director is Hilton Davies, who is optimistic about 1979 results. He thinks the most promising markets for future growth are the United States and the Far East.

Boart has opened a trading office Hong Kong, to serve future markets in Japan, South Korea, Taiwan and even, to some extent, China.

Financial Mail December 28 1979
MANUFACTURING  Iron + Steel

DATES TO REMEMBER

Last day to register for dividends: Friday January 11

Friday January 11 - Common Fund 10c, French Bank preference 5c, Hautee Corp 12c, JCI 100c

Meetings: Tuesday January 8 - Plewans (New Deportment)
Wednesday January 9 - Sable
Thursday January 10 - Weidgenacht

Cementation Mining Ultimate holding company in Transfield House (T K)

Chairman A.B. Thomson

Capital structure: 6.6m ordinary of the 150,000 6% div. pref. of R2. Market capitalisation: R195m


Although last year resulted in record earnings and dividends for the group, profitability in the manufacturing and sales division still has a long way to improve before Cementation can achieve real growth. So despite the 15% turnover improvement, to R1.5m (R0.5m), pre-tax profits moved a pedestal 4.2% ahead to R1.4m (R1.1m). This reflected, inter alia, an unrealistically low level of structural steel activity in SA as well as continued difficulties in selling the group's railway track equipment and other manufactured products on world markets.

According to the directors, a large portion of inter-group trading tended to detract from the real turnover position, so the statistical figure is not a true reflection of the group's efforts. Last year's internal turnover was R1.1m (R1.7m).

Although operating margins were marginally down to R4.1m (R3.1m), increased dividends of R6.0m (R5.0m) from unlisted subsidiaries Gold Fields, Cementation Mining combined with a profit contribution from civil engineering contracts of R8.0m (R7.0m) equated to the 27% fall in taxable income to R2m (R7.2m) recorded by the manufacturing and sales arm. Overall every company in the group operated profitably according to chairman Albert Thomson, so tight margins and a highly competitive market obviously took its toll.

Distributions for the year, Cementation continued its objective of becoming increasingly self-sufficient, and acquired Siding Const. and W.D. Woolf. For December 14, Siding Const. is a "well-equipped tracklaying company" with the group's traditional railway track division. W.D. Woolf is a manufacturer and sales arm. The group's current engineering activities although not mentioned in the accounts each purchase involved the payment of 250,000 Cementation shares and R6.0m cash.

The purchases were not a strain on the group's cash flow, which was up at R4.1m (R3.1m) cash flow after the benefits of reduced 27% (28%) tax rate, which helped push attributable earnings 40% higher to R3.1m (R2.1m). Consequently, Cementation was able to increase dividends to 16.5c (14c) without sacrificing commit.

Another feature was the reduction in debt service ratio to 19.5% (19.2%) through the retirement of R3.6m short-term borrowings. Borrowings were increased in the face of adverse trading conditions in 1978, and last year's retirement could well be seen as a sign of management's confidence that future capital needs can be funded internally.

The group's year-end order book increased substantially to R8.2m (R2.1m) and includes a large enough order book for the mining services subsidiary to increase its capital base by R4.0m to meet present and future commitments, however the group's increased order book will flow through this year, some of the large contracts are long-term, so full impact will not be felt for some time.

The market seems to have taken a positive view on prospects thought it has been spurred by unconfirmed rumours that the cementation mining business is being offered for minority interests. At 295c the share offers a relatively low three-times covered historic 5.2% yield.

Jonathan Bailey

Cementation Mining

Basic changes?

Activates. Holding company with main subsidiaries engaged in design and manufacture of steel and metal products. Holds 50% of Gold Fields.
The metal and engineering industries, whose output in 1979 approached R9 billion (R8.6 billion in 1978) and constituted about 25% of total manufacturing output in SA, are confident that the moderate revival in activity experienced last year will continue and can be sustained into 1980. Export earnings from these sectors were worth R1.1 billion.

This emerges from the latest Steel and Engineering Industries Federation of SA (Seifsa) review of activities in these sectors. According to Seifsa director, Dr Errol Drummond, the "psychological outlook" for the immediate future is good as the general economic upswing continues. "We also stand to benefit from the spillover effects of other sectors requiring our goods and services."

But, according to Drummond, the Achilles heel is still the shortage of skilled labour.

Import substitution has been instrumental in improving production capacity utilisation in a number of sectors. The assessed potential value for substitution is calculated at R375m pa, and additional turnover in the metal products, electrical equipment and machinery sectors reached R236m, or 22%, of the potential. For the machinery sector, the increase was 15%.

Seifsa says that the "moderate upward phase" is reflected in higher iron and steel output. Steel production exceeded 8 Mt, up 12% on 1978, while output of pig iron, at 7 Mt, increased 15%. The trend also holds true for ferro alloys, where ferro chrome exports alone reached R300m over 1978's R180m.

The iron, steel and non-ferrous foundry sector, plagued by low domestic demand and high under-utilisation of capacity, is nevertheless "very soft," says Drummond. Modernisation and expansion programmes, including greater mechanisation, are hoped to provide a greater export thrust.

Seifsa projects that against the "back-
DORBYL Engineering strength

Considering that the engineering sector only began picking up half way through 1979, DORBYL's attributable earnings increase to R12.8m (R9.7m) seems to reflect the benefits of its heavy diversification programme of the past few years. Yet with a profit margin only 3%, ahead at R16.7m (R11.7m) the attributable earnings have benefited more from a lower 27.5% average tax charge arising from investment allowances during the year than an improved operating performance. This year, the capex programme started early through all the operating levels.

The 61% turnover increase to R150m (R121m) is partly due to the acquisition in May of the firm's Canadian stamp which was sold considerably to the Mancorp but which is now up to 61% of the total profits but still a small part. Mancorp's low operating profit margin is expected to rise to 17% due to an anticipated increase in the cost of copper and cash flow to 60% of revenue. The share price, however, remains static at 150c, offering a positive margin of 20%.

Although DORBYL ended the year in a very sound financial position, strengthising the operating levels did not come cheap. Total book values increased by 40%. To finance this, the group sold a significant portion of its 61% of Mancorp in order to meet the financial needs. Borrowings were necessary to fund the purchase of a R16m plant, and an additional R12m was raised by working capital to support the sales levels.

Bonds, a R16m 11% redeemable debenture issue in November 1978, short-term cash and debtors were reduced by about 16% in 1979, bringing the net debt to R145m. An additional R12m was raised by working capital to support the sales levels.

Several acquisitions were made last year, the major one being the firm's 41% of Mancorp. Other acquisitions, including further deals, were completed at the year-end, 41% of Mancorp's debtors were increased by 50% on the book value of the group. These contributions were to strengthen the group's cash flows and its profitability.

The 41% stake in a new R2.5m share issue at SA Investment was acquired for the same reason. The debtors have increased by 40% on the book value of the group. These contributions were crucial to strengthen the group's cash flows and its profitability.

Overall prospects for the current year appear sound with the group set to take full advantage of its well-developed capital structure. Nevertheless, operating margins will remain intense for some time to come as new projects are started.

The order book which is looking healthier than expected at R5.5m (R2.2m) at the year-end, and 135% improvement. This includes a healthy element of long-term work and in real terms the group is looking generally to increased activity.

The only operation to show a reduced order book was the rolling mill division.
Other ideas

Other recommendations in the Cooke report are:

- Cates should revert to the semester system of training.
- Cates laboratories should be improved, especially where new courses are involved.
- The integration of apprentice and technician courses should be discontinued and courses for more advanced students should be restructured to meet their individual needs.
- Short single subject courses for specific technologies should be introduced.
- The committee recommends that the training of electricians be integrated with the training of the professional engineer.

Four main streams of practically oriented technologists will emerge. At the present time, National Diploma in Technology and Higher National Diploma levels, a student will take the equivalent of six subjects to obtain a newly created Higher National Diploma and complete an extra year to make a four-year course.

This strengthens the concept of parallelism between colleges for advanced technical education and universities. Originally recommended in the Van Wyk de Vries Commission's report on universities, this HND will be the entrance qualification for a Diploma in Technology (DipTech) or could lead to the Government Certificate of Competency obtained by passing Legal Knowledge and any further subjects that the Commissioner of Examiners may require.

The HND, like the National Diploma of the present will indicate the specialist field of study of the student.

Since then this prototype has been thoroughly tested over tens of thousands of kilometers at normal operation. The results were so convincing that orders were placed for eight double end motor cars with two phase traction motors for the new subway line in Nuremberg.
Call for District 6 withdrawal

THE 2,000-strong Western Cape Traders' Association is to call upon white shopkeepers to support their stand to bring pressure on the international electronics company, Anker Data Systems, to withdraw from District Six.

At the same time the District Six Rent Protest Association is to send a delegation to the head office of the company in Cape Town, and urge the company to withdraw.

Anker Data Systems paid R50,000 for a site in District Six to build a factory. It is the only commercial firm known to own land in District Six.

WILLIAMSON

Last week Shell South Africa withdrew from a plan to build a service station following urgent representations from people and organisations opposed to the development at District Six as a white area.

'We would like ADS to follow the example of Shell and support the efforts of the Western Cape Traders' Association,' Mr K. Albe, president of WCTA, said yesterday.

'The idea of coloured people as in one District Six back in them, the WCTA is affiliated to the National Chamber of Commerce (South Africa) which has a membership of about 25,000, but it is not made up of coloured people. It is being taken care of by the company, the employment opportunities for the coloured people.

But we are not going to support it, we have a third of the population, and we are not going to support that idea. We are going to support the people of District Six, and we are going to support the people of the coloured community. We are going to support the people of the coloured community in their fight for their rights.'

The company has faced repeated protests from the coloured community in recent years, with many people in the area feeling that they are being discriminated against and excluded from opportunities for employment and housing.

A meeting was held yesterday to discuss the situation, with representatives from the coloured community, the WCTA, and other organisations present.

The coloured community has expressed frustration at the lack of action by authorities to address their concerns, and has called for more support and resources to be directed towards improving their lives and opportunities.

Meanwhile, the WCTA has called for a boycott of companies that continue to operate in District Six, and has urged other organisations to join in their efforts to support the coloured community and improve their lives.
Sacked over pay call

By EDMUND JAYIYA

ELEVEN workers were dismissed this week after they had asked the manager to pay them equal wages in the Sandton department of Stratford Engineering Company, Ophirton.

All are from Soweto and their services with the company range between 11 months and 11 years.

Mr L Fry, manager of the company, could not be contacted for comment yesterday and a Mr Glassen (spelling supplied by the sacked workers) said he had nothing to say on their dismissal.

The spokesman of the workers, Mr Anthony Zuma told POST that last Friday they approached Mr Fry and asked him to pay them equal wages in their department.

He was not prepared to negotiate with them and demanded their reference books.

Some had not brought the reference books along and decided to bring them on Monday.

"Mr Zuma said "When we brought the reference books on Monday, he told us not to enter the premises."

"I then took the reference books and dropped them at his office. He then signed them off and told us he had already employed women."

"He told us to come and collect our pay on Tuesday. He said he was willing to reinstate some of us."

"We told him we were prepared to return to work because we did not walk out. We explained to him that we would return to work only if he was prepared to pay us equal wages."

"He then said we should come on Tuesday."

"On Tuesday, we went to the company, but were shocked to receive R17."

"We then decided to report the matter to the legal aide of Urban Training Project (UTP). The union promised to investigate the matter. They would inform us immediately of the findings."

A spokesman for UTP said the matter was referred to the Industrial Council.

The workers claimed they were working under "horrible" conditions.

They were made to sweep floors when the inspectors arrived. They were told that their work could be done by women.

They earned R33 a week and worked from 8 am to 4 pm. They did not work at the weekend.
FERROALLOYS

Alloy there

Despite a 55% leap in ferroalloy production to 1.75 Mt in 1979, producers are playing their cards close to their chests when it comes to forecasting the outlook for 1980.

Production has more than doubled from 747 600 t in 1975 and indications are that SA's full production capacities are being utilised at the moment. One reason for the growth has been a stepped-up export drive, which in ferrochrome alone, has seen 1979 earnings rise from R186m in 1978 when 506 000 t were exported, to R300m last year. From 1973 to 1978 exports of ferrochrome increased 25% pa, and current estimates are that 1979 exports topped 650 000 t, while SA's total production capacity for the alloy is around the 800 000 t pa mark.

Producers have obviously been quick to cash in on steeply rising prices — the delivered price of ferrochrome rose 40% and that of ferromanganese 50% last year. And to add impetus to the demand for alloys, SA's steel output rose 12% in 1979 to over 8 Mt, while production of high-carbon ferromanganese in the US dropped to 200 000 t from 500 000 t in 1975.

Local demand for stainless steel, which manganese, abundant labour and cheap energy. Production is likely to swing away from industrialised nations dependent on oil-based power generation in favour of countries like SA, Australia and Mexico.

But as Peter Streecher, chairman of the Ferroalloy Producers' Association has warned, producers are going to have to discipline their planning and not create too much capacity. Market penetration at all costs will be unwise, he has said, and oversupply could push prices down. With price negotiations due in a few months, the industry is not saying what its intentions are. "Negotiations between consumers and producers are normally a battle of wits and it's too sensitive an arena at the present time to say too much," fryer one producer.

With the US moving into recession, and uncertainty about what will happen to the European economy, the industry is not as confident about 1980 as it was about last year. But, on the other hand, as world tension about the deepening central Asian crisis grows, the resultant war psychosis could create greater demand for ferroalloys should the west embark upon a major rearmament programme.

Another imponderable is Rhodesia and
the outcome of the elections there. Should a stable government come to power and if the country emerges in a stable manner, one could predict that the effect of the job creation program would be more apparent. 

Furthermore, in terms of carrying forward, the authorities are optimistic about the current situation and what is likely to happen in the coming months.
New concept in mine supports

A R1-million purpose-built factory for the manufacture of pipe sticks and stick props has been opened in Westonaria by H. & H Mining Timber, a member of the Hunt Leuchars and Hepburn group.

Pipe sticks are a relatively new innovation in roof support for underground mining operations, consisting of a single round timber pole which is inserted under pressure into a steel tube. This operation is seen in the picture.

Stick props consist of a telescopic timber filled tube the length of which can be adjusted by the insertion of timber discs.

Underground, these supports can be used in place of timber mat packs at the working face and the stope, the single pole giving equal or greater roof support than the mat pack, while taking up considerably less room in what is already a very limited area.

They are, however, available for roof support in such areas as galleys where the timber mat pack remains the major source of roof support.

H. & H Mining Timber's new factory at Westonaria is capable of meeting the demand for this new, but already widely accepted form of underground support.

The plant is well situated for distribution to the West Rand and Western Transvaal mines while a similar plant is already in operation in Welkom serving the Free State mines.

Timber is hauled to the Westonaria plant from H. & H Mining Timber's own forests and the poles are then reduced to perfectly uniform timber supports by turning them on a high-speed round wood reduce.

The pipe sticks and stick props will be distributed by road from the Westonaria depot to the mines serviced in that area.
Plan for R230m PE ship yard

PORT ELIZABETH — Work on a R230 million ship repair yard in Algoa Bay will start before the end of the year if the site is approved and a financial package deal can be arranged.

The executives of Algoa Bay Dockyard Development Company, the Port Elizabeth promoters of the scheme, are confident the site will be approved soon and the capital will be forthcoming.

They estimate the repair yard will be showing a profit within four years of being commissioned and be paid for after 10 years.

The size of the proposed repair yard has been scaled down, however, and will no longer feature a drydock for ships of up to 500 000 tons. Instead it is proposed to build a drydock for ships of up to 350 000 tons and a smaller one for ships up to 150 000 tons.

Core sampling of the seabed will start within the next few days and depending on the site selected for the yard, a model may have to be built to determine the effects of waves. The core sampling is expected to last a maximum of four months.

The chairman of the company, Mr Johan Crouse, and the managing director, Mr Henry Combe, leave for Europe on Tuesday to discuss the construction and financing of the project with several large groups and bankers who are interested in becoming involved.

They said the reason for the smaller combination of drydocks was that the number of ships bigger than 350 000 tons represented only 4 per cent of the market. Even with the smaller combination, the yard would still cover 91.5 per cent of the market at a saving of more than R23 million.
500 on strike at Cape project

BY STEVEN FRIEDMAN
Labour Reporter

WORKERS at an engineering site at Saldanha Bay struck yesterday in protest at the dismissal of eight colleagues.

The workers are employed by CMOM, an engineering firm based in Johanneburg.

According to the Western Province General Workers’ Union which represents workers at the site, at least 500 are involved.

"Virtually everybody besides a group of workers from the Transvaal are on strike," a union spokesman said.

CMOM management refused to comment yesterday.

By yesterday evening, the workers had not returned to work. Late yesterday afternoon, CMOM’s manager director told them they would be paid off if they did not return.

The workers said they would not work for the company if the eight were not reinstated.

Last week, a worker at the site was dismissed and subsequently another seven had also been fired.

The workers were convinced that all had been fired for their union organizing activities.

On Monday night, a group of about 200 workers demanded to be paid off if the eight were not reinstated. Management refused this request.

They then gathered outside the compound and refused to leave it unless the eight dismissed workers were allowed in as well. The compound guard refused this request and the closed soon grew to around 500.

Police arrived and persuaded management to allow the eight workers to sleep the night in the compound, the spokesman said.

After initially agreeing to take all the dismissed men back, management said it would only reinstate seven of them. The workers rejected this offer and were waiting to be paid off according to the union spokesman.
Ciskei, Transkei workers paid out

CAPE TOWN — About 280 workers from Transkei and the Ciskei, who were paid out by the civil engineering firm CMGM in Saldanha Bay following a dispute over a dismissed worker, left here last night after refusing an offer of re-employment.

They were taken from the CMGM site in Saldanha Bay by bus on Tuesday night after they had refused to continue working following the dismissal of the worker. He is leading member of the Western Province General Workers' Union.

They spent yesterday afternoon at a CMGM industrial site in Cape Town where they were paid normal pay. They were paid normal pay in Saldanha Bay shortly before leaving for Cape Town.

A committee of six met the managing director of CMGM Cape (Pty) Ltd, Mr. Paul Hodge, at his office at the site in Cape Town where topics included the dismissal of the worker on Monday.

In a statement released yesterday afternoon by Mr. Hodge, the company said the worker was Mr. Nkonde, a foreman. He had been dismissed by a foreman, Mr. Nyathi, for refusing to work after being dismissed for having threatened the foreman.

The Cape branch of the National Union of General Workers issued a statement in support of the dismissed workers.

The National Union of General Workers has called on the factory to negotiate with the workers.

The Western Province Trades Association says it will instruct its members not to sell the factory's products unless the foreman is re-employed.

The workers demand a boycott of all products and horses.

The Western Province Trades Association says it will instruct its members not to sell the factory's products unless the foreman is re-employed.

The labour department is investigating the matter.

ALTHOUGH the dismissed workers were non-violent, they were half of the men who were on strike.

Although those dismissed were non-violent, they were half of the men who were on strike.

For almost a month, about 200 workers at the CMGM coffee roast factory in Bellville, the South Western Cape, have been on strike. They struck because they were receiving less pay than their fellow workers were.

In the statement released by Mr. Hodge, the company said the worker was Mr. Nkonde, a foreman. He had been dismissed by a foreman, Mr. Nyathi, for refusing to work after being dismissed for having threatened the foreman.

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Although those dismissed were non-violent, they were half of the men who were on strike.
Highveld... full blast and expanding

Part of the capex budget is earmarked for a ninth pre-reduction kiln, the commissioning of which is expected in the second half of 1980. Also, approval was given in November for an R18m, tenth kiln to be started up before the end of 1981. This will complete the first iron plant and take steel production capacity to 900 000 t a year.

Given Boyd’s expectation of similar earings in the second half, despite his reservations on export prospects, look for earnings of at least 60c (40.2c). And, with lower borrowings and a large and growing net cash flow, which rose from R34m to R53m last year, the funding of capex through retentions should not prove onerous, ensuring a virtually unchanged dividend policy. The change over to Lifo stock valuation means that the group can operate with a lesser dividend cover. So a twice-covered dividend, 60c (40.2c), is in prospect. Yielding a prospective of 7.2%, the share is worth holding, and accumulating on any price weakness.

John White

Financial Mail: February 7, 1980
Looking on the brighter side

Stainless steel consumption jumped 70% from 17,000 t in 1978 to 29,000 t last year, and is set to grow at a rate of 8% annually from now onwards as the industry moves into a dynamic growth phase. From 5,000 t in 1966, the local market increased to around 20,000 t in 1974, but then came the economic downturn and the subsequent fall-off in consumption.

Present growth is attributable to the quickening of economic activity and the resultant increase in capital expenditure, particularly in mining and metallurgy. The Sasol expansion and that of the downstream chemical industry also added its weight to the increased off-take of stainless steel. Mining activity currently accounts for 13.5% of consumption, and oil, gas and chemical industries 14.1%.

Another major contributing factor to growth has been the marketing effort of the SA Stainless Steel Development Association (Sassda) which pumped R1.8m into market development over five years. According to Southern Cross MD, John Hall, this generated an additional market of 12,600 t (worth R3m) on top of normal 5% growth, in mining, petrochemicals, agriculture and transport.

Hall foresees continued growth for the industry. The heavy plate market should grow from around 9,000 t to 20,000 t in 1990. As far as sheet is concerned, we are looking at a market growing from 4,000 t to 18,000 t over the same period, while coil should reach 11,000 t. Over the ten-year period he sees total production (presently 24,000 t) reaching 50,000 t against a projected market of 70,000 t.

All this bodes well for Southern Cross, the only stainless steel producer in SA, which is embarking on an ambitious R127m expansion programme to meet the expected demand. Orders for plant have just been placed, with R40m going to the UK for a cold strip mill and picking and annealing plant, R20m to the US for a hot mill, while an Austrian company will provide the continuous casting facilities for R10m.

Existing capacities after a year will be pushed to around 25,000 t of plate, 16,000 t of sheet and coil, while total potential capacity will eventually reach 200,000 t.

Present local production of cold rolled sheet and coil used extensively for manufacture of catering equipment, wine tanks, cutlery and other utensils, as well as in the light chemical industry, is only 4,800 t, meaning that the bulk has to be imported. By Hall’s calculation, foreign exchange savings on imports and export earnings should be in the region of R76m when the extended capacity comes on stream at the end of 1981.

Michael Prior, consultant to Sassda, says a lot of time in market development was devoted to expelling myths that existed about stainless steel. “A lot of potential users regarded it as something new — it is not — and were put off by costs.” He points out that while initial outlay may be high, after true cost evaluation, taking maintenance inspection and downtime into account, stainless steel surfaces, stainless steel more often than not works out less expensive.

He adds, however, that there are some applications where the mistake of over-specifying can occur. “Take a car exhaust that corrodes within 18 months to three years. Stainless steel will last a lifetime, but then who’s going to keep a car that long?”

As discretionary spending of lower income groups rises, Prior foresees increased expenditure and demand for stainless steel in household items, appliances and the like, while demand in food processing industries should also increase “It’s part of market development strategies, and people will realise the worth of spending more on items that last longer.”

Higher local content by weight in the automotive industry will also prompt a move to stainless steel because of its strength (and hence thickness), although this could be offset by the move to plastics within automobile manufacture.

Possessing some 80% of the West’s chrome reserves, SA’s stainless steel (defined as having a chrome content of 12% or higher) industry is certainly in a strong position. But with only one manufacturer, is there not the chance that another fabricator could move in, especially if Rhodesia, with its high grade chrome, stabilises after the coming elections?

Hall doesn’t think so. “At this point in time in the southern African market it’s doubtful whether a grassroots operation will get off the ground.”

WHO USES IT

<table>
<thead>
<tr>
<th>Consumption of Stainless Steel by sector</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverage</td>
<td>13.1</td>
</tr>
<tr>
<td>Construction</td>
<td>17.3</td>
</tr>
<tr>
<td>Domestic and commercial equipment</td>
<td>21.5</td>
</tr>
<tr>
<td>Mining and metallurgy</td>
<td>43.1</td>
</tr>
<tr>
<td>Oil, gas and chemical</td>
<td>14.5</td>
</tr>
<tr>
<td>Pulp and paper</td>
<td>4.2</td>
</tr>
<tr>
<td>Other</td>
<td>16.7</td>
</tr>
</tbody>
</table>

Source: Sassda

He says that it would cost about R150m for a plant, and there’s plenty of spare capacity in Europe and the US. But with SA’s highly developed ferrochromium infrastructure, cheap coal-based energy and relatively inexpensive labour, as well as easy access from SA’s mini-Rhine around Witbank to ports like Maputo and Richards Bay, it could be tempting for another manufacturer to move in, especially as the investment climate improves.
Diamond workers 'disgusted'

Diamond cutters laid off with the closure of the Diamond Processing Company in Salt River last week said today they were 'disgusted' that management did not give them some warning of the shut-down.

About 300 workers from the firm and the Electroline Diamond Processing Company on the same premises collected money owing to them and their unemployment insurance cards today.

Operators waiting outside the factory this morning said the manager, Mr Ivan Klein, had told them about two weeks ago there was no truth in rumors that the factory would close.

'They told us diamonds are forever,' one of the workers said.

PAYMENTS

Others said they had recently bought houses or cars and were now faced with payments they would not be able to meet.

In January, management had stated in a form for one operator who took a house in Mitchell's Plain saying his job was permanent.

Workers said they could have spent the holiday from December 14 to January 14 looking for alternative employment if they had been given some warning.

There were no jobs in Cape Town or Kimberley for cutters, and prospects in Johannesburg were doubtful.

'We will have to change jobs and start all over again,' they said.

Management must tell us the reasons for closing down.

Most of the employees at the factory were given one week's notice. One angry woman diamond polisher said she had worked nine years 'for nothing — a week's notice.'
The workers in Row Over Late Shift
RIKE
ela abasebenzi abangama –.88 bakwa. Fattis & Monis efektri
mbo. Into ebangele ukuba bagayimbe, kukugxothwa-kwab-
zenza-na. Bathi ucbangele wokugxothwa kwaba basebenzi
lungu eTrades Unions Le-union, be izama kwenzza uphendo
zokunyuswe. Imali Nbele – R90, neveke, yaye, kusetyenziwe
Umpathi: weFektri leyo uthe eziinto bazifumyo, zinge-
kuza uqushululuf eseminii.

weUnion onamalungu byl .10 000. (amawaka alishinii) obizwa
ing Workers Union bathi abo bagxothiwoyo beadsoyinile
igunya-lokuba bengkazithethwano ngemeko ezibelele
habit kwa. Ipekti leyo ilalile oluthethwhethwano
ia into yokuba omatshini ekusetyenziwa ngabo bathetha indawo
nezileke ukuba kuphumulule abasebenzi,
ingabantu beBalala uningzi lwabo bagayimbyileyo ngamagocu
jabathe bagrogriswa ngokugxothwa babuyele emphandoni aabo
bemi kwaala labalala abakahatha ngokuba banga bantakwabo,
imbo inda emo iletical losenebenzi izame ukubholula abo-
ka bebemangaphandle kwefektri. Labe wokukeppenini le
swalo akakhaza, ia sonke yaye injongo zethu zinye.

Umbutho oyi South African Council of Sports SACOS ucele onke amelungu ano nazo
sizokho izilokolo ezinonikelelwano kuncye nabo ukuba zikhase abo bagxothiwoyo de ba-
phinde bagxothwe. Yaye akufumeke beyintinge inveliso yaYe fektri.

Abafundi base U.C.T. bayenziile eyabo intlanganiso bebonakali sa ubuyne nabasebenzi.
Acele ukuba inveliso zakwe Fattis & Monis zingathemwa okanye zingaseteziwa.

UFattis & Monis uphikele ukuthi akukho ngxabane nakungcayeni kulefektri; Kowda ke
lowa unqumphathi wefem le uthi, ukhathazekile xa kusithwa inveliso yabo mayinga-
thethwa ngabantshana njengokwa inkuza kwabo- bagxoro. Abaphathi bale
Fem bagashe abasebenzi abangabanye ukuba basebenze engwoni yabo bagayimbyileyo
ukuze kubekeki-inveliso, kodwa inveliso yeNthile.

Ngubani UFattis & Monis? UFattis & Monis yifekele enezimvaliso zilemvelo:
Record – self-raising flour, Cake flour, Bread flour, Sifted flour, Unsifted flour,
Wheatie Treat flour; Philadelphia flour; Koaaberg-Mills packaged pastry meal;
Fattis & Monis icecream, cones, cake cups and wafers; Fattis & Monis macaroni,
spagetti, shells, ribbons, rings, dilatines; Princess, Pick n Pay, Pot o' Gold,
Checkers and Rome – macaroni, spagetti, shells, ribbons, rings, dilatines;
Wrench Town Bakery in Observatory; Ultra Bakery in Somerset West; Good Hope Bakery
in Elsies River.
**Possession of Health Requirements**

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<th>GROUPS</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>CARE</td>
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</tbody>
</table>

**Outlook for Workers**

- **Cape Town and Kimberley**
- **Villages Combined**

**Table: Possession of Health Requirements**

<table>
<thead>
<tr>
<th>CHAIN</th>
<th>GROUPS</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>CARE</td>
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</table>

**Diagram: Water Consumption**

- **Care Groups**
- **Water Consumption**

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*Note: The text is partially visible and the image quality is poor, making it difficult to extract all the information accurately.*
450 diamond cutters paid off

By LEON BEKKER

A TOTAL of 450 diamond cutters who have been summarily dismissed by a Soll River company, Electronic Diamond Processing (Pty) Ltd, were paid off yesterday.

Last week they received letters signed by the firm's manager, Mr Ivan Kleen, that "due to unforeseen circumstances" their services were no longer required.

The cutters received their final pay-cheques and unemployment cards yesterday, handed out by a foreman identified only as André.

Three hundred of the cutters gathered outside the company's premises yesterday, but there were no incidents.

Spokesmen expressed dissatisfaction at the sackings Mr John B Smith, a polisher with the company for 10 years, said he was "very angry."

"Where are these people going to get jobs? There are none in Cape Town and we will have to go to Johannesburg, where things are tight anyway."

When rumours that the firm might close began circulating a few weeks before the end of last year, Mr Kleen had reassured workers that this was not so. "He pleaded with us to stay, and now we're on the streets," said one polisher.

Many said they were angry that the company's managing director, Mr Benjamin Weinsberg, who lives in Belgium, had stayed away and left Mr Kleen to "carry the can."

© Outlook bad for workers, page 2
Six of the men who allege they were hired for refusing to ride in an open truck during a rain storm.

Sacked for refusing ride in storm on open truck

By JOE THIOLOE

SEVEN men yesterday alleged they were fired from Reliable Production Company in Steeldale for refusing to ride in an open truck during Tuesday night’s rain storm.

The man said they were at the usual meeting point—a shop near Jeppe Station—when the truck came to fetch them for night duty.

“We asked the white driver to wait until the storm had subsided, but he refused and drove back to the factory,” one of the men said.

Nine of them had been waiting for the truck. Two climbed onto the truck when the driver refused to wait and seven were left at the shop.

“There was water on the floor of the truck and the few sacks we were told to use to cover our heads were wet,” the men alleged.

“When we went to the factory in the morning to find out why we had been left behind, we were sacked and told to fetch our pay at noon,” one said.

The manager of the company, manufacturers of bolts, screws and nuts, a Mr Simon, was not available for a comment yesterday afternoon.

POST was told by sources in the company that the seven had been replaced by men who were fetched from the labour bureau in the morning.

OVERTIME

The seven worked a 9:30 pm to 7 am shift. They are all from Soweto, aged between 21 and 38 and have been working at Reliable Production for between three weeks and eight months. They are, Paulina Midia-lose, Ebenezer Monageng, Abraham Moloi, Oupa Leoro, Leshe Chapa, Jacob Mokatsanyane and Mahlomola Monageng.

“The manager told us the company had lost production because we had not turned up for work.”

STOVE

Stove, Defy 4 plate, large oven, R85. For this bargain and many more turn to Classified on pages 16 to 18.
A method of ranking health problems.

<table>
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<th>Other problems</th>
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<td>++</td>
<td>+++</td>
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</tbody>
</table>

Note: The table above is an example of how to rank health problems. The scores range from 0 to 30, with 0 being the least severe and 30 being the most severe. The common cold is ranked highest, followed by other problems with scores ranging from 0 to 30.

Experimentation Evaluation

A method for testing new products.

<table>
<thead>
<tr>
<th>Product</th>
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<th>Feature 3</th>
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<td>++</td>
<td>+++</td>
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<tr>
<td>B</td>
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<tr>
<td>C</td>
<td>+</td>
<td>+++</td>
<td>++</td>
<td>+++</td>
</tr>
</tbody>
</table>

Note: The table above is an example of how to test new products. The features range from 0 to 30, with 0 being the least severe and 30 being the most severe. Product A is ranked highest, followed by Product B and Product C with scores ranging from 0 to 30.
ISCOR is to double its Cape capacity

ISCOR is to spend R15-million on almost doubling the capacity of its subsidiary, Cape Town Iron and Steel Company (CISCO) which manufactures reinforcing steel mainly from scrap.

An Iscor spokesman tells Business Times the additional revenue forecast is R5-million in the first year rising to R8-million from the third year.

The additional tonnage from CISCO will be aimed at meeting the growing needs of the Western Cape. The first step of the extension will be to increase CISCO's steel-making capacity from 56,000 tons a year to 55,000 tons and is expected to be completed by the middle of 1982. This is planned to meet the needs of the Western Cape for the next decade.

Provision has also been made for a further doubling of output later at a relatively small capital investment, which should meet market growth until the end of the century.

The rolling capacity of the plant will be increased, and the product range is to be broadened to cover all the standard reinforcing bar diameters from 8 mm to 40 mm.

CISCO uses a reclaimable waste raw material—steel scrap—rectangular in any case in the Western Cape, particularly from dockyards, and would otherwise have to be hauled to the Transvaal for processing.

A procedure has been evolved in the framework of the scrap pool which will enable CISCO to bid for scrap arising in its area.

The expansion is expected to have a significant ripple effect in creating new employment opportunities.
ISCOR has decided to extend at a cost of R10-million the production capacity of its wholly-owned subsidiary, Cape Town Iron and Steel Company (Pty) Limited (Cisco), at Kuils River, which manufactures reinforcing steel mainly from steel scrap.

The first step of the extension will be to increase Cisco's steel melting capacity from 80,000 tons to 95,000 tons a year, and is expected to be completed by the middle of 1982. Provision is made for the possible doubling, later, of the tonnage, at a relatively small further capital investment.

The rolling capacity of the plant is to be increased and the product range broadened to cover all the standard reinforcing bar diameters from 8 to 40 mm.

This first step of the extension will enable Cisco to supply the Western Cape market with reinforcing steel over the next decade, after which the second step will follow to satisfy the market up to the end of the century.

Cisco uses a reclaimable waste raw material steel scrap.

After the extension Cisco will play an even more important role as a source of employment in the Western Cape.

The location of Cisco within the Cape Town metropolitan area has the added advantage that steel scrap arising in the Western Cape does not first have to be hauled 1,500 km to the Transvaal to be processed into reinforcing steel, only to be hauled back all the way for use in the Western Cape.

Ship scrap arising in or near the ports of Cape Town and Saldenha Bay, such as obsolete fishing trawlers, coasters, tugs and naval vessels, as well as wrecks of larger ships are sunk or towed to an overseas dockyard to be scrapped, thus being lost to local industry.

A procedure has now been evolved by which Cisco, may, within the framework of the scrap pool, bid for ship-scrap arising in its area. Cisco lies in the most favourable location for the purchase and processing of such scrap.
Fired soon after injury

Learn fast or quit

Worker is told to

DANTS YY WACHTCH

Post, Monday, February 14, 1980
The steel giant, Iscor, is set to make a dramatic turnaround and register its first profit in six years. This was announced by the general manager of Iscor, Mr. K. R. Ramuleni.

He predicted that Iscor would turn last year's deficit of R38.5m into a profit of about R70m. This will be the first time in six years that Iscor has shown a profit during which time the corporation has come under fire for poor management and productivity.

Speaking at a function at Iscor headquarters in Pretoria to mark the presentation of the Producitve Improvement Programme awards to members of the management staff, Mr. Ramuleni said much criticism had been levelled at the corporation. However, productivity at Iscor compared well with the so-called private sector.

Mr. Ramuleni said the dramatic turnaround in Iscor's fortunes was due in part to managerial skills, increased productivity and the cost-saving schemes which had been launched in 1988. Since then Iscor employees had put forward suggestions which had resulted in the corporation saving money amounting to R75m through the IPP programme in 17 years.

In the last three years IPP had resulted in productivity increasing by an average of 43 per cent. Fourteen IPP schemes were presented to individual employees and groups for cost-saving ideas which amounted to more than R78m.

The highest individual saving scheme was a suggestion from two members of the Vanderbijlpark works, which will save Iscor about R78m a year.
to come and work once wages had been cut, and

2) that although some workers were unhappy.

They also needed for the season ahead to break the—

The farmers are

None of the farmers

they were not

generally able to

fetch the team

from Aberdeen

demand, but

shearers had

This team had

to 15c a sheep

to come into

3. The Workers

All the workers

disembarked on

Of the 18 workers

two were

ten were

six were

One worker was 74 years old. He had been sheared for 46 years and had never done any other work. He said he would not like to retire but would find it difficult to live on a state old age pension.
al workers (with the roots of this ical rights), such a development is n rural society, and the direction of nto industrial employment. It is not absorb such displaced groups adequately, to South Africa's agrarian problems

ing agriculture as an activity comparable onomies of scale, specialisation of emerged in Soviet agriculture have ricultural production on industrial f land-extensive and capital-intensive nerated similar problems in South
Berzack profit jumps, but divs sluggish

By ELIZABETH ROUSE

BERZACK Brothers (Holdings) is a remarkable company because of its excellent profit growth record and, on the negative side, because of its parsimonious dividends.

Admittedly, the industrial sewing machine group with interests in cables, plastics and furniture, is in the midst of a capital expansion programme, but its interim dividend of 6c (up from the 1978 half-year's 4.5c) is 19.5 times covered by earnings of 17c (up 7.9% from 15.2c).

Cover was already a hefty 7.5 in 1976 and was increased to 14.7 in both 1978 and 1979. Berzack bought two nearby properties last year to cope with increased demand and established a new engineering works.

Chairman Mr Maurice Berzack warned shareholders that the group would continue to use retained funds to finance expansion and keep up with expensive technological advances.

He said in the last report that 'this reinvestment of funds is not only creating a strong asset base for your company, but is paving the way for solid future growth to the ultimate benefit of shareholders.'

The niggardly dividends have put Berzack on a list of blue chip yields of about 3%. The point is that blue chips are highly negotiable shares, which tightly held Berzack is not.

However, shareholders cannot quibble about the group's performance. Attributable taxed profit shot up to R1 397 000 in the six months to December last from the 1978 half-year's R778 000.

The holding company, Berzack-Hillman Investment Corporation (Bivec), reflects Berzack prosperity. Its dividend has been raised to 1.3c from 1c on 77% higher earnings of 20.7c. Interim taxed profit amounted to R759 000 against the 1978 half-year's R412 000.
Haggie sees further growth

By HAROLD FRIDJHON

AFTER Haggie's 60% increase in turnover and 58% jump in attributable profit last year, the chairman, Mr I S Haggie, forecasts a further increase in sales and profits in the current year "in view of the improved state of trading in the Republic and our continuing efforts in export markets".

He says exports are a firmly established part of the business. The directors' report reveals that export earnings last year were R36-million against R17-million in 1978, and Mr Haggie comments that a 34% improvement in export trade had been budgeted for. (The actual improvement was 52%.)

Haggie Rand, the operating subsidiary, processed record tonnages of steel, largely as a result of the increased export trade. The South African market, although improved, is still 23% down on its peak of 1976.

Mr Haggie says the group has budgeted for increased sales in real terms for 1979, but "the improvement will be much less dramatic than in 1978".

Of the other subsidiaries, Samuel Osborn (SA) performed according to expectations. Increased sales of crushing, screening and mineral processing equipment are planned, as well as improved sales for Sosta Tools.

Wire Industries had a record sales turnover of R32-million against R25-million in 1978 and "continues to expand its activities", Mr Haggie observes.

"Productivity is in general still lagging behind that of many industrialised nations. While productivity in our group has improved significantly it is necessary that we measure our performance against those countries in order to compete effectively on an international basis."

"It is only through training, education and manpower development that we can achieve the required efficiencies," says Mr Haggie in drawing attention to the fact that the group's training programmes have been expanded and improved for all levels of staff."
Berzack profit jumps, but divs sluggish

By ELIZABETH ROUSE

BERZACK BROTHERS (HOLDINGS) is a remarkable company — because of its excellent profit growth record and, on the negative side, because of its parsimonious dividends.

Admittedly, the industrial sewing machine group with interests in cables, plastics and furniture, is in the midst of a capital expansion programme, but its interim dividend of 6c (up from the 1977 half-year's 4.5c) is 19.5 times covered by earnings of 17c (up 79.4 per cent from 32c).

Cover was already better this year in 1975 and was increased to 19.9 in the first half of 1978 and 1979.

Berzack bought two nearby properties last year to cope with increased demand and established a new engineering works.

Chairman Mr Maurice Berzack warned shareholders that the group would continue to use retained funds to finance expansion and keep up with expensive technological advances.

He said in the last report that "the use of funds is not only creating a strong asset base for your company, but is paying the way for solid future growth to the ultimate benefit of shareholders".

The meagre dividends have put Berzack on a bluest of blue-chip yields of about three per cent. The point is that blue-chips are highly negotiable shares, which myriad held Berzack is not.

However, shareholders cannot quibble about the performance. Attributable taxed profit shot up to $1,379,000 in the six months to December last from the 1979 half-year's $778,000.

The holding company, Berzack-Hilman Investment Corporation (Swiss), reflects Berzack prosperity. Its dividend has been raised to 1.3c from 1c on 77 percent higher earnings and 20.7 percent.

Interim taxed profit amounted to $738,000 against the 1978 half-year's $439,000.

Exchange rates

Standard

Sept rate US 15400.80.00 13400.80.00 13400.80.00

Exchange rate on Sept 15 1980 13400.80.00 13400.80.00 13400.80.00

1 US Dollar 1.0000 = 0.010000

Exchange rate on Sept 15 1980 1.0000 0.010000 0.010000

Source: Standard Bank

Quick share guide

MOST ACTIVE SHARES (VALUE)

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LARGEST PRICE GAINS

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By JOE THOLOI

THE unregistered Engineering and Allied Workers' Union yesterday signed an agreement with a Springs company, Fargasta Steels — the first agreement since the union was formed in 1963.

This brings the number of agreements in town managed and unregistered unions affiliated to the Federation of South African Trade Unions (Fosatu) to four.

Yesterday's agreement was a preliminary one and will be the basis for further agreements to be negotiated over grievances, dismissals, negotiating procedures and other matters.

The agreement, according to a statement from Engineering and Allied Workers' Union, provides for access to company premises once a week as well as office and canteen facilities at other times when required by the union for union purposes.

The agreement also recognises the union's responsibilities to work for improved conditions of employment,” the union says.

"The most important part of the agreement is the recognition of shop stewards who will represent the members to the company."

The union membership is more than 60 percent of the 250 black work force.

The president of the Engineering and Allied Workers’ Union, Mr Moshe Mphaya said "We heartily salute the Fargasta workers for their history-making achievement because it was hard work to make this agreement a reality."

"More hard work is now demanded from the union as a whole to give meaning to the giant step. Here is hope for similar agreements within the engineering industry and from other industries as well."

The managing director of Fargasta, Mr T E Lundberg and the personnel manager, Mr C Dukuzo, were yesterday not available for comment.
Steel unions ask for changes

Labour Reporter

REGISTERED steel and engineering unions are demanding changes to controversial black labour guidelines drawn up by the Steel and Engineering Industries Federation.

The guidelines were sharply attacked by unions when they were released last year by Safta, the largest employer federation outside the mines. Its members employ about 500,000 people.

Safta was accused at the time of trying to obstruct the unionisation of black workers.

The Confederation of Metal and Building Unions, which represents most registered unions in the industry, recently sent Safta a document complaining about certain of the guidelines.

According to CMBU unionist Mr. Ike van der Watt, the unions are particularly worried about a provision which says that only unions which are both registered and members of the industry's industrial council can have union dues deducted by employers.

"This means that if any of us start to organise black workers without registration, we will be denied an important union facility," he said.

He added that "it also means that they will only give us facilities when they absolutely have to."

The unions are due to meet Safta's full board soon to discuss their complaints.

Safta's director, Dr. Errol Drummond, confirmed yesterday that a meeting with all registered steel and engineering unions will take place.

He also confirmed that suggestions for change to the guidelines were discussed at a recent Safta board meeting, but stressed that no decisions were taken.
Steel is set for output, profit surge

By Michael Chester, Financial Editor

South African steel production is expected to be up next year, in line with both production and profit levels, after the worst quarter in recent years. According to the Steel and Iron Survey released today, but steel prices may hit new records too.

The bank says price increases of at least 15 percent may be announced this week to counter rising costs.

Total tonnage output, provisionally estimated at 38.6 million tons in 1989, could reach 45 percent next year. South Africa's main steel producers have built up their inventories of steel products, and the bank expects output will increase.

Higher demand and prices were expected from the first quarter of this year, with orders that are currently at 90 percent of levels in 1988. The bank expects output to increase by 10 percent.

Competitiveness

But it is a good news for the steel industry, which has been fighting to keep up with foreign competition for years.

The bank says that the steel industry has a strong position in the market, with output up by 10 percent in the first three months of the year. However, the bank says that the industry is facing competition from other steel producers.

The bank expects that the steel industry will continue to grow in the future, with output up by 15 percent by the end of the year.

For more information, please contact Michael Chester, Financial Editor.
STEEL SEMIS PLANT

Welcome back

High liquidity in the domestic economy and the ease with which the capital market is riding new issues appears to have been at least partly responsible for renewed interest in establishing a steel semis facility at Saldanha Bay.

Industries Minister Schalk van der Merwe has told parliament that revival of the project has, in fact, gone beyond the stage of interest and several proposals are being studied by his and other departments.

According to sources in the Department of Industries, the merits of the project revival are not the same as those who made up the 1974-1975 consortium led by Iscor, but do include foreign interests and local parties.

A senior official said disclosure of their identity might be embarrassing at this sensitive stage, but allowed him to some scepticism about the chances of a project getting off the ground.

Unlike steel and related projects with their obvious investment attractions, a semis plant calls for risk capital and would clearly involve a 8- to 10-year lead time before yielding a dividend and would be extremely sensitive to conditions in international steel markets, most of which are heading for trouble ahead of deepening recession.

In 1975 a R150m scheme sponsored by Iscor with Austrian, German, Dutch and Italian partners fell through because of funding problems in domestic and foreign capital markets.

Thus, after the Economic Affairs Minister Chris Heunis had given the consortium the green light and accorded the project "high national priority" industries minister Schalk van der Merwe is equally keen on the project, stating that it is just the right medicine for depressed regional GDP in the western Cape.

The original Iscor scheme envisaged a plant of 3 Mt a year with foreign earnings of R1750m at 1975 prices, although as much as 45% of coking coal imports would have had to be imported.

The big advantage of the scheme in the view of government at the time was that Iscor, having just returned a R55m loss would have been required to put up no more than about 33% of capital required.

Share capital of the control vehicle, Saldanha Steel Corporation, was to be R100m, in which Iscor would have 51%.

The remainder was to have been raised in loans by partners "in their particular areas" according to their share of production.

Iscor planned to take 100 000 t a year, giving 3.3% loan finance, obligation, or about R100m The balance was to have been raised by Voest-Alpine of Austria, Koeckner of Germany, Etcel (the German-Dutch group) and Falador of Italy. There was talk of US partners coming into the deal at a later stage.

Interest rates

What chances are there of reviving the project under present conditions? Interest rates in OECD countries are sky-high, growth expectations are low and steel fabricators are wallowing in a trough of gloom.

In SA interest rates are at historic lows, the economy awash with money, but the big difference is that Horwood is no Debeer's. Economic management is tight and capital investment priorities of state institutions are heavily weighted towards self-reliance in energy.

Iscor's horns have been clipped and it seems it is not even part of the sponsoring group which has submitted new proposals to Van der Merwe and Horwood.
Activities: Steel wire and wire rope producer, with interests in the manufacture of screening and milling plants and cutting tools through a 75.3% stake in Samuel Osborn Hagge indirectly owns 45.2% in Aluminium Systems, and 38.4% in Gardner Engines.

Chairman: I S Hagge, deputy chairman L C A Newham, managing director J A Sully

Capital structure: 18.4m ordinary shares of 20c Market capitalisation: R125.1m

Financial: Year to December 31 1979
Borrowings: Long- and medium-term, R15.6m Net cash: R3.0m Debt equity ratio: 28.1% Current ratio: 2.2 Group cash flow: R24.0m Capital commitments: R4.6m

Share market: Price: 680c (1979-80 high: 760c, low: 560c, trading volume: last quarter: 105,000 shares) Yields: 14.9% on earnings, 5.3% on dividend

Cover: 2.6 PE ratio: 6.7

Return on cap: % 19.9 25.5
Turnover (Rm): 97.0 155.6
Pre-tax profit (Rm): 15.1 28.1
Gross margin %: 18.3 13.2
Earnings (c): 57.8 101.5
Dividends (c): 20 38
Net asset value (c): 312 381

Paradoxically, since Hagge announced an 81.3% improvement in gross profit to R26.0m (R16.5m), achieved from 60.3%

higher sales, its market rating has nose-dived. Prior to the results, when investors were expecting the group to earn around 84c — in line with the directors R15.5m taxed profit forecast — the share traded up to 660c. This gave an expected 7.9 earnings multiple. At its current price the share is on a historic 6.7 PE ratio and prospects appear favourable for another strong growth year.

Last year’s growth far outperformed the directors’ forecast, with attributable profit up 78.6% at R18.7m (R10.4m). Also the dividend was lifted to 36c — 6c higher than predicted.

While chairman Iain Hagge does not quantify his forecast for this year, indicating only further growth, the profit improvement is unlikely to match that of last year.

Hagge’s wire interest contributed a reduced 80% (63%) of group pre-tax profit, indicating the degree of diversification with the Samuel Osborn takeover. The directors point out that demand for steel wire rose 25% last year and that export sales accounted for most of this improvement.

Earnings from exports rose to R36m (R17m) and a further increase is in the offing. The wire division plans to develop capacity to produce sophisticated wire products specifically for the export market.

Up to now the group has been exporting large volumes of low priced wire products and the latest move should improve margins.

The group gave attention to establishing reliable outlets for its products abroad and this should lead to further advances in exports this year. However, the US comprises the major export market and the directors warn that any adverse economic changes could affect group performance. With many expecting the US to slide into recession this year, their warning should be heeded.

Locally, sales could show very strong growth this year. Already an improved distribution network has been established which was instrumental in boosting last year’s sales. Already, SA appears to be entering the second stage of the upward trend in the industry cycle.

The contribution from 50%-owned Wire Industries increased to R147.0m with a final dividend still to come. Though Wire Industries is managed by Hagge, the associate’s results are not consolidated. Only dividends are brought to account.

It was only towards the end of the year that Samuel Osborn’s major market showed an improvement. So, activity was at a low level last year. Profit growth was further muted by the costs involved in moving to new premises and sub-contracting. With the end of Sonata Tools, not improved its contributions substantially. Samuel would have shown a profit decline.

So, Hagge’s growth was largely due to its wire exports, which were achieved without heavy capex, suggesting that local production facilities took up the slack, utilising spare capacity. According to the directors, the factories at Germiston and Jupiter achieved record production levels last year. The extent of the rise is reflected in the improvement in return on capital to 29.5% (12.95%).

Could Hagge be set for further takeovers? The balance sheet suggests it is. The accounts are sound with a relatively low debt equity ratio. This is compounded by a high level of cash on hand which amounted to R9.8m (R14.5m) at the balance sheet date.

Prospects indicate that 110c earnings could be achieved from which a 2.8 times covered 50c could be paid. At 116c the share, on a 7.5% prospective yield, does not appear to fully discount the group’s potential.

Peter Patoncich
Record ahead for steel

The South African steel industry is looking to a record year both in terms of production and profitability. However, a double-digit price increase may be announced at mid-year to compensate for rising costs, according to Standard Bank's economic review.

It says that South Africa's total raw steel output, provisionally estimated at 8,600,000 tons in 1979, could reach a record 9,500,000 tons this year — a rise of 6.8%. This increase is likely to be easily absorbed by rising domestic consumption, which should reach roughly the same level in 1980 as it was in the peak of the previous business upswing in 1975.

The growth in sales volume is expected to come close to the 13.5% increase recorded in 1979. SScor, which accounts for about 73% of domestic sales, forecasts a 17% rise to 3,500,000 tons in finished steel products for the 12 months to June 1980.

Demand for steel rose particularly rapidly when big investment programmes started last year, and sales in the second half of 1980 may not expand as fast as they did in the last six months of 1979. For this technical reason, the growth rate of domestic consumption for the 1980 calendar year may not be quite as high as last year's.

With consumption and investment activity picking up in most sectors of the economy, most of the steel industry's major South African customers can be expected to place substantially larger orders this year.

These include the railways, the motor and packaging industries, agriculture, the mines, building and construction companies. The increase in demand is expected to concentrate both on flat products, such as sheets (used mainly by consumer industries), and profile products, which are supplied mainly to construction and engineering contractors.

The emergence of rapidly rising domestic demand is beginning to force producers to cut back on exports. Iscor expects its export volume in the year to June 1980 to total roughly 1,800,000 tons, about the same volume sold abroad in the previous 12 months.

However, that tonnage would constitute only 34% of total 1979/80 sales, as against over 50% in 1978-79.

Similarly, the second-largest producer and exporter, Highveld Steel, expects exports to account for less than a third of sales this year compared with over 40% in the year to June 1979.

The enforced diversion of production from foreign to domestic markets has come at a convenient time, World steel consumption reached a peak of 755 million tons last year. World demand in 1980 is forecast to be at roughly the same level, but a reduction is expected in output by the industrialised countries which have been the most significant buyers of South African steel, particularly from the private producers.

Apart from sluggish demand, the profitability of South African steel exports has been adversely affected by the steady appreciation of the rand against the dollar over the past year. So far this appreciation has amounted to over 7%.

Its effect is particularly serious in the steel market, in which most sales are denominated in dollars. Moreover, freight rates have risen by up to 60% over the past nine months, thereby reducing free on board returns to South African exporters who are distant from their major markets.
PORT ELIZABETH — The developers of a R230-million ship repair yard in Algoa Bay have drawn up a framework for its implementation and say they have been assured of financial backing.

The managing director of Algoa Dockyard Development Company, Mr. Henri Combe, said all the indications were that the money would be raised.

SHAREHOLDERS

The final financial arrangements would ideally be on a 51 percent South African and 49 percent overseas shareholding basis.

Mr. Combe said the yard in Algoa Bay would not adversely affect Cape Town's dry dock as he believed some people feared. On the contrary, it would boost the Cape Town dry dock because South Africa would be established as a ship repair country.
More productivity is Asea's aim

By Jean Moon
The Asea group, which is engaged in various aspects of the electrical engineering industry, intends to strive for greater productivity this year, especially as regards the heavy investment in the past few years. Asea should be poised to resume the pattern of growth in earnings which has been established since 1974.

Following the collaboration during 1972 with the Industrial Development Corporation (IDC) to establish a major project for the manufacture of power capacitors and a new generation of distribution transformers whereby Asea held 60 percent of the shares and IDC 40 percent, it has been decided to make Asetac a wholly-owned subsidiary.

NAME CHANGE

Therefore, Asea purchased IDC's 40 percent interest for R2m. Seco Pty was acquired during 1979 as a wholly-owned subsidiary of Astra Condensers. To rationalise activities, Astra acquired all the assets of Seco, and the name was changed to African Condensers in 1979.

The large amount of expenditure undertaken has absorbed the company's surplus funds and resulted in a temporary higher rate of borrowings. Current liabilities have risen from R16m in the previous year to R22.6m with short-term loans up from R1.5m to R5m.

Asea took advantage of the favourable conditions on the local capital market to increase long and medium-term loan capital by R25m and equity capital by R2.5m.

Though Asea has reduced the amount of overseas borrowings, these facilities are still available and it will utilise them on a temporary basis to the extent required.

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*Adjusted for increased capital
Upswing joy for Seifsa

THE UPSWING, which gained momentum in the fourth quarter last year, was sustained in the metal and engineering industries in January, according to the Steel and Engineering Industries Federation of South Africa.

Seifsa says pointers to improved activity throughout 1980 "at this early stage are seen in the sustaining of the satisfactory 1979 export levels of the basic iron and steel industries, a continuing upswing in domestic steel consumption, and a quickening tempo of import substitution."

Expansion and modernisation programmes now taking place in the iron, steel and non-ferrous foundry industry are also expected to result in an increased export performance of foundry products in 1980.

In addition, the building industry supply sector, light metal and sheet metal manufacturers report further stimulus from the upturn in building and construction activity.

"The Seifsa group of industries, however, continue cautious about the real strength of these upward trends. Factors which continue to cause concern are increasing inflationary pressures, shortages of certain categories of skilled and semi-skilled labour, and mounting wage costs in the metal and engineering industries." — Seifsa
Big blast
ing link
is probed

WATER dripping on silver aluminium dust probably sparked the horror blast that ripped through a Johannesburg factory yesterday, killing eight people and injuring 23 others — many of them seriously.

The explosion wrecked the aluminium processing plant at Supreme Metal Works, in Elysian Road, Industria West. All the victims were blacks.

Sabotage was ruled out — and the firm's technical director, Mr J. Schey, and later the cause was probably a chemical reaction involving aluminium dust and water.

He's working on a theory that the blast was caused by a gas up at hydrogen gas produced in this way.

The company, factories inspectors and police have launched a joint investigation into the cause of the explosion. Brigadier P. H. Bapes was 2yr, the

A policeman covers the body of a woman killed in the blast. The body was among six killed in the aluminium dust explosion at Supreme Metal Works in Industria West. The explosion was caused by a chemical reaction involving aluminium dust and hydrogen gas produced in this way.

By TONY STIRLING
Chief Reporter

Devalledal CID Officer for the Vukile general, who was called to the scene, said that investigations had already ruled out sabotage as a possibility.

By late yesterday no-one had been able to identify any of the dead or injured.

Identification was hampered because apparently many of the 60 blast employees died after the blast.

Late yesterday a Supreme Metal Works official said: "We have compiled a list of victims."

Five of the injured were discharged from hospital after treatment. The Bond Daily Mail learnt that the plant producing aluminium dust — which in this form can be highly explosive under certain conditions — was a handicap when the explosion occurred.

The plant was operating six weeks ago — thus ruling out any possibility that the blast was caused by production processes.

The explosion happened shortly before dawn.

From about 7am, heavy rain had been falling in the area. One line of investigation is whether the roof gutters, which regularly inspected, may have been damaged to carry the water or its cause blamed.

"We are trying to ascertain how it was possible for moisture to build up in the plant which preceded aluminium dust," one source told the "Mail."

A works manager from a nearby factory told the "Mail": "He told the "Mail" he told the second to help.

"He said, "I saw about half a dozen black seats moving around the dunes, but I don't know what happened.""

Workers from other factories described how a terrific explosion took the whole area, sprinkling sheets of burning debris over the area. People were trapped in the factory, screaming. A large white cloud of flame, about 1,000 feet high, engulfed the area immediately, bringing out a terribly burnt man.

O "Mail" copy office — Page 9
Blast hero’s mercy dash into inferno

By TONY STIRLING
Chief Reporter

A WORKER told last night of the horrific scene which confronted him when he rushed his own life in a dash into the devastated plant immediately after yesterday’s factory blast in Industria, to drag out a badly burnt man.

Mr Elias Mahlaba, a machine fitter, was one of the first to arrive at the scene of the explosion in the aluminium processing section of Supreme Metal Works, in which six people died and many more were injured.

He told the Rand Daily Mail: “I heard a terrific blast and ran into the affected section. I dragged out one man. Most of his skin was burnt off. I do not know who he was and I do not believe I will see him again. He was scarcely living.”

“There were dead and injured people lying all around. I cannot tell how many, but I think about 30,” Mr Mahlaba said.

“I only took the one man out of the building before the rescue teams arrived,” he added.

A security guard, Mr Ruben Ratsoem, said he was sitting in an office on the far side of the factory in Bunsen Road when the explosion shook the whole building.

“I ran into the factory. There were just bodies lying all over the place. Some of them were trapped under bricks which had fallen in from the walls,” he said.

A Rand Daily Mail reporter saw bodies being removed.

In some cases all the clothes had been blasted off victims. Dead and many of the injured were silveryed by aluminium dust.

Fragmental bodies were recovered and removed under blankets by the Johannesburg mortuary, ambulance and emergency units which went to the disaster area.

Speaking at the scene, Johannesburg’s Fire Chief, Mr G de Beer, said he could not pinpoint the cause of the disaster yet.

There were up to 10 possible causes for the explosion.

But he confirmed it involved an “explosion” of aluminium dust.

He said one specially-equipped fire engine dealt with the conflagration, using a dry-powder fire-fighting chemical to bring the blaze under control.

Three fire-fighting pumps had been on standby.

A number of firemen at present on a training course had been sent with the team to give them a “live” test.

“The risk of further explosions, the remaining exposed aluminium powder on the premises was being gradually submerged in water and the resultant hydrogen gas was being burnt off,” Mr de Beer said.

This was likely to result in a series of relatively minor, controlled explosions:

“You need no use the further dry powder, and there is no danger of another major explosion,” Mr de Beer said.

He explained that on contact with water, aluminium dust produces highly inflammable hydrogen.

But he would not commit himself on the possibility that the explosion had been caused by a build-up of the gas after contact with water.

Mr de Beer said the explosion could have exposed the victims to temperatures of up to 1000°C.

About 200 bystanders who gathered outside the factory were removed by police when the Fire Department decided to “defuse” the remaining aluminium dust.

Scores of emergency vehicles were concentrated in the area, which was cordoned off to ordinary traffic.

After being ordered off the premises, reporters were allowed to remain in the vicinity and were later given a statement by the managing director of the firm, Mr S F Malan.

He said it was the first accident of its kind to occur in the plant’s 18 years of operations.

“It is a terrible tragedy,” he said.

He said that in addition to investigations by the authorities, the firm would conduct its own investigation to determine the cause.

He ascribed the cause of the explosion to “aluminium dust”, but declined to elaborate.
Total devastation — part of the aluminum processing section of Supreme Metal Works after yesterday's explosion in which six people died. The roof was buckled upwards, plant was damaged, and partial collapses of inner walls added to the injuries caused by the blast and fire.
In an aftermath of shock and suspense at the Supreme Metal Works blast scene, workers and firemen wait outside the devastated aluminium plant for further minor, controlled explosions expected in the "defusing" of aluminium dust by immersion in water.

Blast hero Mr. Elias Mehlaba is grim-faced as he recalls the terrible sight which met him when he dragged one of the injured from the inferno. At the entrance to the factory premises, the scorched remnants of a blast victim's boots are mute testimony to the fate of their owner.
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Chapter 11

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6 die, 23 hurt as blast rips through city factory

By Michael Crooks, Josie Brouard and Elizabeth Wilson

Six people died and 23 are in hospital with serious burns after a violent explosion blasted a Johannesburg metal factory today.

And the death toll could rise because many of the injured are seriously burnt.

The names of the victims have not yet been released. They are all believed to be black.

A fleet of ambulances ferried the dead and injured from the scene of the death blast.

The factory, Supreme Metals, in Bunsen Road, Industria, was rocked by an explosion in the aluminium processing section about 9am.

Mr L Tseteng told of the horror of seeing two men with their clothing ablaze running from the building.

Mr H Smuts, a boiler-tender, said, "I was in the reaction plant when I heard the explosion."

"I ran out. Everybody was running."

"I tried to help the men and told the office to call ambulances."

"Some men were very badly burnt."

"They looked very bad."

"I tried to help cover them."

More than five fire engines, a dozen police vehicles and several ambulances jammed the cordoned-off area.

Mr T M Leff, Chief Inspector of Machinery of the Department of Manpower Utilisation, arrived shortly after the explosion for a preliminary investigation into the cause of the accident, which is not yet known.

Mr S F Malan, managing director of Supreme Metals, said the accident was a "terrible tragedy."

It was the first time there had been any problems with the process which had been in operation for 18 years, he said.

The explosion which claimed five lives wrecked this building at Supreme Metal Works in Industria, Johannesburg, today.
Six killed
in blast

SIX men were killed and 24 severely burnt when an explosion ripped through a metal works at Industria, Johannesburg, yesterday.

Five people were killed instantly in the explosion at Supreme Metal Works, Bunsen Street.

The sixth person died in Coronation Hospital where 14 of the injured workers were taken.

The names of those who died at the firm and were taken to the mortuary could not be obtained.

And the deputy superintendent of Coronation Hospital, Dr A. Broekeman, said he could not disclose the name of the person who died there or the names of those being treated.

He said the condition of three of them was serious. Five were transferred to St John Eye Hospital, Soweto.

Some of the severely burnt men were taken to the General Hospital, Johannesburg.

Two of those POST was allowed to interview were in bad shape. Edward Mokgadinseyane had 100 percent burns. The burns of John Raiga were only about five percent less.

The men were in such pain that it was an ordeal for them to explain what happened.

They all either had skin peeling off from their bodies or were charred all over their bodies without hair, eyelashes and eyelids. Those without eyelashes could not keep their eyes open.

In a brief press statement, Mr S. F. Malan, managing director of the company which processes aluminum, said the explosion was a terrible tragedy. They did not know what the cause of the explosion was and would make their own investigation.

Cameouflaged police arrived soon after the fire brigade had extinguished the fire and cleared the debris. But they soon left.

Enos Marokane who had burns all over the body said that while he was working he heard a loud explosion.

"There was fire all over the place I stumbled through the fire to safety," he said.

Mr Joseph Khonogi who had a fractured leg, elbow and lacerations to his left foot said he heard an explosion and saw people burning.

Edward Mokgadinseyane who is in the General Hospital with 100 percent burns, said he had to stumble through a ball of fire.

"I could not see where I was going. I shielded my eyes from the heat. Somebody came to my rescue and I was taken to hospital."

A man who was lucky to have escaped the inferno is Walter Mishala (27). He had gone to the toilet when the explosion occurred.

Even two hours after the explosion his mouth was still quivering and his whole body shaking.

"I saw burning people with skin peeling from their bodies running away to safety," he said.

Women workers at a nearby factory said the explosion was so tremendous that a ball of fire swept over their factory while the ground shook.

See Page 3
Worker tells of killer blast

By LEN KALANE

A HORRIFIED labourer who handled the apparatus that allegedly caused the explosion at the Supreme Metal Works in Industria told yesterday how he crawled from the billowing fire for dear life.

"I can't just tell what went wrong. I regard myself the luckiest man alive today," said Mr Joseph Masina (29) of Mofolo North, Soweto. He works at the firm as a "blower".

Mr Masina is among the 94 labourers who were injured when the explosion went off at the Industria metal firm. Six people died, and others were rushed to Coronation and General Hospitals for treatment.

Five others, including Mr Masina, were later taken to the St John Eye Hospital.

Those taken to St John for observation are Mr Masina, Mr Eric Ntamo (21), of Dobsonville, Mr Peter Thoba (27), of Klipspruit, Mr Jackson Masabo (61), of Diepkloof and Mr Dingaan Lekoa (50) of Central, Western Jabavu.

They have since been discharged.

Mr Masina said he was handling the apparatus that allegedly caused the explosion. He was "blowing" the powder that is used to make the aluminium melt when it suddenly "blew" in his direction forming a cloud, he said. The powder is hot.

"There was a sudden fire and I was knocked down by the impact. I was blinded and crawled away for safety leaving behind other labourers who were trapped inside," he said.

He was burned on the neck, head and the right foot.

"I'm confused and can't say what really happened. I only thank God that I am still alive. I can't believe it," Mr Masina said.

Another labourer, Mr Peter Thoba, who survived with minor eye injuries, said he heard a blast and saw the wall and roof collapsing.

There were labourers inside the building.

"I was standing 50 metres away and watched helplessly as my colleagues were trapped in the dark cloud of flame," he said.

Mr Thoba said the whole place was still on fire. The whole drama lasted for about four minutes.

"It was a narrow escape for us," they said yesterday.
Turnaround for Group 5

By ELIZABETH ROUSE

GROUP Five Engineering is firmly on the path to greater profitability and increased growth, says the chairman, Mr J J A McLaren, who is retiring in June.

The group is budgeting for a substantial recovery in earnings, hence the declaration of a 5c dividend for 1987, although the payment is not justified by the profit earned (R862 000).

The Botswana contracts, which caused losses of Rs 789 000 last year, are almost complete, all other contracts outside South Africa are going according to plan and there has been an upturn in work in South Africa.

Mr McLaren warns that the nature of the work is essentially long term. Certain of the contracts were obtained under severely competitive conditions and profit margins are slim.

However, if the present trend persists, the quality of the order book should improve.

Cost of plant and equipment has risen at a rapid rate and the problem has been compounded by the withdrawal of tax incentives about the middle of last year. Group Five companies have started rebuilding plant and initial indications are that this policy is proving to be successful.

Because of the savings in...
of Supreme Metal Works where the explosion occurred said relatives were at the mortuary trying to identify the dead.

Mr. S. P. Malan said as soon as they have been identified their names will be released. He said the company will assist in burying the blast victims.

Two of the victims whose pictures appeared in POST yesterday are among those who have died. They are Edward Mohagadinyane, who had 100 percent burns and John Sahlai whose burns were 95 percent.

The men at the hospital were in bad shape on Monday and were writhing in pain with most of their skin having peeled off. POST 17/9/80.

Three people were taken to the General Hospital after the explosion. One died on arrival while the other two, Mohagadinyane and Sahlai, were admitted. But they subsequently died.

Three died at Coramton Hospital where most of the injured were taken to. Three are still in a critical condition.

The explosion and deaths have shocked the people of soweto. They were deeply touched and all expressed their deep-felt sympathy.

Mrs. Lucy Mvubelo of the National Union of Clothing Workers said: "To the families of the deceased, we express our condolences. We hope that all benefits due to the workers will be paid accordingly."

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**Names of 6 Blast Dead Are Known**

SIX of the 11 people who died in the Industria explosion on Monday have been identified but their names will not be released until names of the remaining four have also been made known.

The managing director of the company will assist in burying the blast victims.

Two of the victims whose pictures appeared in POST yesterday are among those who have died. They are Edward Mohagadinyane, who had 100 percent burns and John Sahlai whose burns were 95 percent.

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Earnings dilution ahead

Activities. Steel and sponge iron producer Genmon owns 46.6% of the equity and Saldum 10%.

Chairman G Clark, managing director K T Brightman

Capital structure 4.8m ordinary shares of 50c, 100 000 6% cumulative pref of R2, 390 000 6.5% second red cum prefs of R2 and 260 000 10.5% red cum prefs of R1.

Market capitalisation R16.8m

Financial Year to December 31 1979

Borrowings long and medium-term R14.7m. Net cash R1.6m. Debt equity ratio 71.7%. Current ratio 1.9. Net cash flow R6.0m. Capital commitments R7.8m.

Share market price 220c (1979-80 high 270c, low 78c trading volume last quarter 269 600 shares). Yields 35.1% on earnings, 4.5% on dividend. Cover 7.7. PE ratio 2.8.

Return on cap. % 18.9 - 30.1 15.1

Turnover (Rm) 416 389 548 686

Pre tax profit loss (Rm) 115 120 85 34

Gross margin % 10.8 - 5.4 8.4

Earnings (c) 47.5 (4.5) 83 772

Dividends (c) 20 - 10

Net asset value (c) 427 331 357 439

On the back of a 522% increased pre-tax profit, achieved from 25.2% higher sales, Dunsawt's share price has moved out of the doldrums. However, investors may have overdone the run up to the profit announcement, when they pushed the price up to 270c — more than three times higher than 1979's low of 78c. But, following the profit announcement, the share steadied at 20c. It is not likely that the marketisation of an earnings dilution following this year's two option dates.

Dunsawt issued 6.9m options to subscribe for ordinary shares at R12.6m 14% deb issue. On March 31 and September 30 this year and next year dividend holders may swap half of their deb for ors or purchase at R1 in cash one ord for each two debs held. With only 4.8m ordinary shares in issue, the share capital could be more than doubled in the next two years. Obviously, this could reduce earnings by more than 50%.

Due to an assessed loss of R5.8m, which resulted in the company paying no tax, the profit growth was translated into an 80% earnings rise to R7.2c (8.3c). Though shareholders may have been disappointed in the low 10c payout, the high retentions were necessary to bring balance sheet ratios down to acceptable levels. For example, the R2.8m transfer of retained income to distributable reserves — helping to increase the shareholders' fund to R21.2m (R17.2m) — and reducing borrowings by R1.8m to R15.8m, resulted in a decline in the debt equity ratio to 72.2% (102.6%).

The net effect was to increase capital employed to R38.1m (R38.8m). Dunsawt also managed to increase its cash holding to R7.2m despite a rise in stocks to R9.8m (R7.6m). This was widely financed by the rise in creditors to R9.5m (R6.1m). Depending on how many options are exercised, the balance sheet may be vastly different by the end of the year.

Last year's growth reflects the gearing effect of a small increase in turnover when a plant has ample spare capacity to cope with increased demand without needing large capital investment. The 350 000 t liquid steel production was below the forecast 380 000 t capacity but this year, the directors say, an all-out effort will be made to achieve full utilisation. This should be helped by the installation of a R2.4m furnace cleaning plant which should improve working conditions considerably. Success with the sponge iron plant, which, by contrast, was closed down in 1978 due to a surplus of scrap, meant on the market, was helped last year by scrap shortages. There is now a possibility that other steel companies will purchase sponge iron from Dunsawt.

Certainly, Dunsawt found the sponge iron suitable for steel production, and other manufacturers, who took some 9 000 t for experimental purposes, tended to confirm these results. Sponge iron obviates the use of coking coal in producing steel.

As part of a five-year plan, Dunsawt is now looking into the possibility of installing a second sponge iron kiln. For rolled sections, the target capacity is for 270 000 t by 1981. Last year the production target was for 240 000 t and the expansion came close with 236 000 t.

Dunsawt hopes eventually to expand into more sophisticated product ranges — which will require heavy capex. Meanwhile capital commitments at the year-end amounted to R7.9m (R6.3m). This could be financed from Dunsawt's own resources. Depreciation amounted to R2.9m and the profit after tax was R7.8m, almost the year's profit, with tax likely to take a slice of this year's profit.

So, with the R2.8m in cash under its belt, the group could finance this capex without the need to resort to loan capital. As the economy has probably entered the second stage of the upward trend in the business cycle, prospects for growth augur well for steel producers. Indeed, the directors forecast earnings growth, though they are not sure of the extent of the possible rise due to the company's reliance on the Price Controller for steel price hikes.

Nevertheless, Dunsawt intends concentrating on the local market, where buoyant conditions are likely to prevail this year and to restrict export to markets where reasonable prices are attainable. However, shareholders should not expect too much in the way of dividends as the group plans heavy capex in the next five years.

Obviously, this will require high retentions. Even now, the directors' immediate objective is to broaden the earnings base by bringing all sections into play to the fullest possible extent. This year a pre-tax profit of R4.6m is possible, but, after tax offsets, attributable profits will probably be of the same order as last year's R3.3m.

However, dividend cover could be lowered to say, three times and a 25c payout is possible if no options are exercised, putting the share on an attractive 15.8% prospective yield. But perhaps this is expecting too much. Given the share's patchy record, investors are probably justified in being cautious. — Peter Pettigrew.
STEEL

Up the independents

Forming local demand for steel has sparked off a major round of new capital investment by the country's half-dozen independent steel producers. Expenditure on one R10bn a year in the planning stages at present, including Southern Cross, R12m stainless steel expansion programme.

Bagged by the independents is Anglo American Corporation's Highveld Steel & Vanadium which produced 1,000 t of liquid steel last year. Highveld's R10bn fourth kiln, scheduled to be commissioned around mid-year, is expected to be taken this year.

Highveld's output, though the revival of domestic demand has been the only bright spot in the market, has been the only bright spot in the market, with the fourth kiln expected to come on-stream in 18 months time.

This will complete the last iron plant and, in the absence of a second iron plant being built, a discussion on the possibility of involving something like R10bn for one new furnace and three kilns, as is expected to be taken this year.

Highveld, which has an annual capacity of 1,000 t of liquid steel, is currently under construction and will be commissioned around mid-year. Its tenth kiln should come on-stream in 18 months time.

The market for steel is expected to be strong in the next few years, with demand expected to increase significantly due to infrastructure development and industrial growth.

HOW THEY STACK UP

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*Plant just commissioned*

The market for steel is expected to be strong in the next few years, with demand expected to increase significantly due to infrastructure development and industrial growth.

Union Steel (Nedcor) MD, Jannie de Waal, says that, despite the reduced demand, the company will maintain its production levels at around 1,000,000 t a year, with export opportunities expected to increase in the future.

The company is also investing in new technology to improve efficiency and reduce costs. Union Steel is also looking at ways to increase its market share through strategic alliances and partnerships.

The steel industry is expected to continue to grow in the coming years, with investment in new infrastructure and the economy expected to drive demand for steel products.

Financial Mail March 21, 1990

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utilise the capacity more effectively over a wider area of the market," avers De Waal.

"We are still trying to convert to specialty steels which increases the profit potential without raising the liquid steel capacity.

The entire raw material input is scrap but some experimentation is being done with direct reduction.

The market, says De Waal, is "very lively" but predicting how long it will remain in the ascendancy is difficult.

"The steel industry normally moves in four-year phases," he adds. "We are approaching the crest of the wave at the moment and the steel industry in Europe is in a down phase So our market could start to turn down next year.

Scaw Metals, a wholly owned subsidiary of Anglo American Industrial Corporation is scrapping its two bar and section rolling mills and replacing them with a single R25m mill with a capacity of 200 000 t a year.

Modernisation

This will raise total capacity of finished products from 240 000 t a year to around 400 000 t. Liquid steel production is 350 000 t a year. Scrap accounts for 65% of Scaw's raw material for rolled steel production.

The manoeuvres in the steel industry are also expanding Durban-based McWillow Iron & Steel, owned by Leo Raphael & Son has just completed a R30m modernisation programme which will increase liquid steel capacity from 62 500 t a year to 100 000 t within two years.

McWillow caters to the coastal trade supplying reinforcing steel to the Durban and Port Elizabeth markets and has not yet experienced a significant upturn in demand.

"There is a healthier tone in the market," says MD Lex Elton. "But we are tied completely to the construction industry, and so there is a six-month lag in demand."

However, as a subsidiary of Leo Raphael, the country's leading steel exporter, McWillow is well placed to find export markets when local demand is insufficient.

New melt shop

Davsteel, a small family-owned steelmaker, has just commissioned a new melt shop with a production capacity of 150 000 t a year.

"Capacity will eventually move to 200 000 t," says chairman Mendel Kaplan.

Up to now we have been manufacturing reinforcing bars and wire rod from bulks bought out. Now we are making our own bulks in our own melt shop," Kaplan won't disclose the cost of the project.

The state steel corporation, Iscor is still far and away the dominant force in the industry, producing 77% of the country's output. But with a huge cushion in
LABOUR inspectors this week held an inquiry into the blast at an Industria West steel factory on Monday. The managing director of Supreme Metal Works, Mr S F Malan said that the investigating team was led by a magistrate, but would not give further details.
R6.6m stake for Amic Electronics

Amic Electronics, the South African electronics company, has announced a significant investment of R6.6 million in its operations. This investment is expected to drive growth and expansion, particularly in the area of electronic components and manufacturing.

The funds will be used to improve production facilities, enhance R&D capabilities, and expand the company's market reach. Amic Electronics aims to capitalize on the growing demand for electronic components, especially in the automotive and telecommunications sectors.

The investment is part of a broader strategy to strengthen Amic's position in the global electronics market. The company has been experiencing steady growth over the past few years, and the additional capital will enable it to scale up operations and meet increasing demand.

In addition to the financial investment, Amic Electronics is also focusing on talent development and partnerships with universities and research institutions to foster innovation and drive technological advancements.

The investment is expected to generate significant economic benefits for the region, creating new job opportunities and stimulating local economies. Amic Electronics remains committed to its community and sustainability initiatives, including environmental responsibility and support for local educational programs.

Overall, the R6.6m stake for Amic Electronics marks a pivotal moment in the company's continued growth and its ongoing commitment to innovation and excellence in the electronics industry.
# Metal men press for more pay

By Elizabeth Wilson
Labour Reporter

About 500,000 workers in South Africa's metal industry could get a 20 percent pay increase if union leaders have their way.

The demand was tabled at a meeting of the executive committee of the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries.

Among demands are:

1. The minimum rate to be raised by 20 percent, and this to include a guaranteed across-the-board increase of about 15 percent on current rate to offset inflation.
2. A holiday bonus equivalent to a month's pay.
3. Overtime rates to be restored to the previous level of time and a half.

The unions are understood to be raising the issue of a reduced working week again, with the aim of a 40-hour week to be introduced over five years.
ASSOCIATED ORE

Assmang benefits

Associated Ore, which holds some 37.9% of Assmang, reported a 65.5% earnings increase in the six months to end-December and declared a 50% higher interim dividend of 60c (40c). The improved profit figure results largely from a doubling in the Assmang final dividend for the year to end-December, as well as higher fees and commissions.

In December 1979, Assmang declared a 150c (75c) final dividend which would have meant income for Assore of R22m (R10m). The holding in Assmang thus comprises 72.6% (48.9%) of Assore's pre-tax profit, which advanced 31.2% to R2.8m (R2.1m). The balance of Assore's income is derived from other investments, direct mining sources, manufacturing and technical and administration fees and commissions.

Other sources of investment income were Assore's holdings in Anglovaal and Union Steel, both of which have declared higher dividends. In the six months to end-December, Assore would have received a higher 120c (90c) final from Anglovaal, and for the second half of Assore's financial year, it will receive the 50c (30c) Anglovaal interim plus the 9c (5c) Union Steel payment.

"Assore" gives its turnover increase for the first half at 49%, reflecting the higher investment income and fees and commissions. In the previous financial year turnover rose 16%.

Assore's Rustenburg Minerals Company moved into the black in 1979 after railings of chrome ore began in February. The lower 15.6% (25.4%) tax rate, effective in the first six months, reflects previous taxed losses at Rustenburg as well as the higher dividend income received. Capex for Rustenburg during the first half was R1.8m (R1.4m) and a further R522 000 (R351 000) is committed for the second six months.

At 2.000c, the Assore share price is on a 15-month high — reflecting the huge increase in Assmang's dividend — and yielding 4.6% on the annualised dividend. The current share price appears to have discounted any good news on the world steel industry and ferrochrome market in the near term.

Turning back through the FM's files...

20 years ago (April 1)...

Three-quarters of the Bantu areas must still be planned — at the present rate of progress the Department of Bantu Agriculture hopes to finish the job in 1980. How much of the plans will have been covered by then is another matter.

10 years ago (March 26)...

The higher an executive's cash income from his company, whether in the form of salary or fee, the more fringe benefits, or "perks," he is likely to receive disproportionately so.

The latest Greenwood Glasgow-UAL salaries survey, which looked at the situation of tens of thousands of executives in South Africa, shows that as a man's salary increases, so it becomes a smaller proportion of his total real income.

Five years ago (March 27)...

The birth of the Foreign Affairs Association has yet to meet with a warm reception.

Nor will it deserve one until the FAA shows it intends doing more than simply duplicating the selling South Africa efforts and diverting the fund-raising potential of the SA Foundation.

On the face of it, the two look distinctly similar. Both realise the importance of educating South Africans about world opinion — a function being vigorously pursued by the Foundation under Jan Marais' presidency. Like the Foundation, the FAA sees itself as "an independent clearing house for information on SA's contact with the outside world."
YSKOR, Suid-Afrika se grootste staalproduksent, sal vanjaar vir die eerste keer in ses jaar 'n wins toon. Die onlangsige verhoging in spoorartiewe kan die korporasie se wins egter baie nadelig beïnvloed, tensy 'n groot deel daarvan uit verhogings van staalpyse verhaal kan word.

In 'n onderhoud wat Sake-Rapport van die week met seniorgesigterlike lede van Yskor gevoer het, byk dit duidelik dat die onlangsige winspotensiaal baie naderig geraak kon word indien daar nie 'n oplossing vir die nynede tekort aan opgeleide werkers gevind word nie. Die aangewasse hoofbestuurder van Yskor, mnr F. P. Kotzee, het gesê die onlangsige verhoging in spoorartiewe sal Yskor jaarliks sowat R36 miljoen uit die sak naaig. Dit is amper gelikstandaard aan die wins wat Yskor in die eerste ses maande van vanjaar getoan het.

Hoewel hy hom nie daaroor wou uitsaai nie, is dit feitlik 'n uitgemaakte saak dat hierdie bedrag van die verbruiker in die vorm van hoër pryse verhaal sal word indien daar nie 'n ander oplossing gevind kan word nie. Mnr Kotzee het gesê dan die uitbudeprogramme wat vooreer by die korporasie onderneem is, sal by in staat wees om in die volgende tien jaar in die toonemende vraag na staal, veral plaaslik, voor te kom dat nuwe werke aangepak hoef te word.

Die korporasie sal egter in die volgende vyf jaar sowat R400 miljoen beëste op verbeterings by bestaande werke. Laasgenoemde sal hoofsaaklik daarop gemik word om produkte te verbeter en nuwe te hou met nuwe tegnologie.

By die gesê hierdie verbeterings sal tot gevolg hê dat die produksevermoe met gemiddeld sowat 15 persent per jaar uitgebrei sal kan word. Dit is gelikstaande aan sowat 1 miljoen ton staal per jaar.

Wat die vooruitstigste betref, is daar ook baie optimisme Die afdelingshoofbestuurder, mnr J. P. Olivier, sê Yskor woord na plasties afset van staal behoort in die huidige boekjaar, wat op 30 Junie ten einde loop. 'n Versterking van sowat 17 persent te toon in die vorige boekjaar was dan 'n verbetering van 15 persent in die plaaslike mark. Dit is juus hierdie mark wat die winsgewendste is en hierdie verhoging beheerbaar sal word toe die verder ouderling by te dra.

Wat die uitvoermark betref, versag hy daar sal vanjaar 'n effense afplatting intree. Na verwagting sal die uitvoer van verlede jaar sowat 1,77 miljoen ton tot 1,77 miljoen daal en sal die uitvoer van staal voreerlik met die totale afset van 35 persent tot 34 persent in 1960. Hoewel dit verkoop van staal nie so winstgevend is nie, is dit 'n baie groot verdienaar van buitelandse valuta.

Mnr Olivier sê Yskor verdien op die oomblik sowat R350 miljoen aan buitelandse valuta uit staal. Wanneer die uitvoer van die hierbo vermeld verlies ons het dit gevolg, sê hy. Dit is dan gevolg van die uitvoer van buitelandse valuta met die uitvoer van ander produkte.

Mnr Kotzee sê Yskor se skuldverhouding verbeter steeds. Die skuldverhouding is op die oomblik sowat 53 persent en na verwagting sal dit teen die eind van die boekjaar nog beter wees. Hy sê op die oomblik ondervind Yskor geen konstante skuldprobleme nie, danky sy die beleid om dates te vinniger as normaalweg af te skryf. Daar bestaan by sommige mense die wanverdruk dat die geld wat die staat in die verlede aan Yskor gegee het gebruik was om verliese goed te maak.

Dit is egter nie die geval nie. Hierdie geld was gebruik om die finansiële struktuur van Yskor te versterk.

Mnr Kotzee sê die arbeidsvoor die moet sorg dat die werklik mense aangetref, van die onvoldoen en die lage baan van die land se groene korps beheer.

Yskor doen sy bes aan mense op te let, maar verloor jaarliks groot getalle werkers wat deur ander nywerhede of hoër salarisse wegreg gebring word. Daar bestaan in die arbeid diesreg van die mense se besef om aan 'n nasionale strategie te deel sorg dat dit Suid-Afrika se ekonomie aan opgeleide werkers betrek.

Die afdelingshoofbestuurder, mnr. J. de Beer, sê Yskor is op die oomblik met grootskaalse onderneemse besig om van diesel-aangedrewe elektriese toestelle om te dik sorg dat dit na hoër salarisse wegreg gebring word. Daar bestaan in die arbeid diesreg van die mense se besef om aan 'n nasionale strategie te deel sorg dat dit Suid-Afrika se ekonomie aan opgeleide werkers betrek.

Daar bestaan in die arbeid diesreg van die mense se besef om aan 'n nasionale strategie te deel sorg dat dit Suid-Afrika se ekonomie aan opgeleide werkers betrek.
The men dead of explosion burns on March 17, 1980.

The explosion, which occurred in a chemical plant, killed at least 12 people. The blast was so powerful that it blew the windows out of neighboring buildings.

Industria Horror Blast Death Toll Now 12

By DENNIS LOUTHAN

Two of the victims, Mr. Albert Johnson and Mr. Harold Miller, were buried at the Avon Cemetery on Monday, March 18. The other bodies were placed in coffins for public viewing.

The explosion was caused by an accident at the plant, where chemicals were being stored.

The fire was so intense that it destroyed the entire building. Authorities are investigating the cause of the explosion.

The blast caused widespread damage to the surrounding area, including homes and businesses.
TWO VICTIMS of the blast at an Industrial metal firm last week were buried at the Avalon Cemetery yesterday.

They were Mr. Edward Molekganye and Mr. John Kangata of Naledi.

Another two victims, Mr. Edward Mabasa and Mr. Koos Matane, were buried at Subana and Potgietersrus respectively.

The funerals in Soweto were attended by more than 1,000 people.

Three other victims, Mr. Julius Yeleza, Mr. Charles Mahlata and Mr. Philemon Mokaka, are to be buried today at Avalon. They were all from Mofolo North.

© See Page 7.
Workers sacked after pay dispute

By KINGDOM LOLWANE

TWENTY-ONE workers at the African Gate and Fence Works Limited in Elandsfontein were sacked yesterday following a pay dispute.

The men, who were originally employed in the company's steel wreck department, were sacked yesterday after the company allegedly refused to increase their wages.

They claimed that their department, which had 45 workers in all, had on Monday last week made representations to management for an increase. Management had replied they would get a rise at different times during the year.

Then on Friday of the same week 24 of 45 were given increases of R3 each. This they felt was unfair on the part of management and believed they had been discriminated against.

On Monday this week they asked why they were not treated in the same manner as the 24 who had been given a rise. They received no response from the management.

Later in the day they were called and told they had been fired and that they should report at the company on Tuesday to collect their pays.

Asked to comment on the sackings the company's personnel manager, Mr J T Morrison, said the 21 had gone on strike and were becoming rowdy.

"We called the police because we had anticipated some form of violence," he said.

Mr Morrison said the 21 were not given increases because "they did not deserve the merit award rise."

He said they had asked the workers to return to work but had refused. The company has no intention of reinstating them, he added.

A spokesman for the Industrial Aid Society, an organisation dealing with labour matters, said yesterday that they would investigate the sackings
BLACK UNIONS
Seifsa reconsiders

The Steel and Engineering Industries Federation (Seifsa) is considering changes to its controversial guidelines on black trade unions. This is at the request of the unions in the industry who are affiliated to the Confederation of Metal and Building Unions (CMBU).

The guidelines call on the 5,000 association of employers not to have any dealings with black unions unless they have received approval in the region and are part of one of the industrial councils. Employers are urged not to give unions access to their premises. In addition, the guidelines suggest the continuation of works and board committees for effective employee management communication at individual company levels.

In a letter to Seifsa, the CMBU criticized the anti-union and pro-works board committee instructions in the guidelines that of CMBU's interest stems from the involvement of some of its unions in organizing Africans.

After meeting with Seifsa three weeks ago, Seifsa's Jan Humansdien for CMBU director says: "There appears to be a change of heart among employers in assisting black trade unions. But this is couched upon the unions applying for registration as a separate stage."

Seifsa is considering two proposals:

1. Relates to union access to employers' premises: The unions have asked Seifsa to suggest that employers meet unregistered unions. Says Nicholson: "We are not asking employers to go so far as allowing unregistered trade unions to hold meetings on company premises."

The second proposal relates to the ban on the provision of stop-order facilities to unions not party to the industrial council. The guidelines remind affiliates of this prohibition, which is written into the industrial agreement.

On this, employers at the meeting recommended exemptions being granted for at least six months. If, within that period, the unions have not applied for registration, stop-order facilities can be withdrawn.

Commenting Seifsa's director, Terri Drummond: "Our discussions are nowhere near complete. We are still evaluating their proposals."

The issue has become internationalized. In a letter to the International Organisation of Employers (IOE) the unregistered Steel, Engineering and Allied Workers' Union asserts: "These irresponsible and dangerous guidelines are a denial of freedom of association." The SA Consultative Committee on Labour Affairs (Sacola), to which Seifsa is affiliated, is a member of the IOE.

The IOE subscribes to the principle of freedom of association as laid down by the International Labour Organisation (ILO) which also states voluntary negotiation between employers and workers organizations should be promoted.

The union asked IOE to explain, after advice from the ILO Committee on Freedom of Association, why Sacola's membership of IOE should be allowed to continue because of the anti-union stance of Seifsa. [Image: Nicholson says a change of heart] In reply, the IOE asserts that the guidelines are "fully consistent with ILO statements on freedom of association and industrial relations. But it says in the document spelling out the guidelines Seifsa states it "supports the establishment of black and mixed trade unions which represent employees and the negotiation of their conditions of employment through the National Industrial Council."

In addition, the IOE says: "A requirement to register and, or become a member of a national industrial council for the industry— which is the legal pattern of industrial relations in SA—would not be contrary to the principles of freedom of association."
Smelter benefits

Activities: Tin producer in the GFSA group. GFSA owns 24% of the equity.

Chairman: R A Hope

Capital structure: 2.1m ordinariey shares of 25c Market capitalisation R32.9m

Financial Year to December 31 1979

Roodberg's mill

Net cash R63,790. Current ratio 2.4:1

Tin ore production increase 13.3% to 112,000t.

Share market prices: 40c. Effective dividend yield 37.5% on current 90c.

Top price: 28c at R535,000.

Wages 10%.

Yields 10.7% on open market.

Net profit R290,000.

Roodberg received an average RH377 for tin.

Top profit was R1,083,000, but the cost of sales was 70.3%.

Profit after tax R310,000, but with lower long-term bonds.

Net profit was down to R1,750,000.

In October 1976, Roodberg's successful operation increased its net profit and also increased its market value.

A mine, the current dividend yield could be maintained.

In 1980, the average tin price was RH2,580 at 10c. (6.6r.) - 10% increase since last year. The price has averaged RH3,000 a ton.

The average tin price does not affect production. Refiners are still operating.

A ten dollar increase in tin prices will have no effect on production.

The increase in the average tin price will have a significant effect on the industry and the economy.

Roodberg's mill

Tin ore production fell.

At the mine, total tin production was marginally lower at 112,000t.

Roodberg's mill's throughput fell, but the mill's throughput was significantly lower.

Tin production was 112,000t.

Roodberg's mill's throughput fell, but the mill's throughput was significantly lower.

Tin production was 112,000t.
David Lurie must be pleased with his purchase of all the ordinary shares of Flexer through Lucem Holdings. Since the end of last year, negotiations have been concluded with the major family shareholders for Flexer to become a wholly-owned subsidiary of Lucem, although the pref shares of the company will remain quoted. Lurie has had a long-standing on-off relationship with Flexer, which he first controlled through Abercom. It was later bought back by the family, before being re-purchased by Lurie through Lucem, which is the stage in which it now finds itself.

**Profit strength**

In the six months ended December 31, Flexer's taxed attributable profit advanced 53% to R283 000 and an interim dividend of 6c (2.25c) has been declared on the unquoted ords. The prefs receive 6.25c, although there was no interim payout last year. Cover on the ord dividends has been dropped from over nine times last year to a still conservative 4.6 times. This year's interim is being paid on just over 4m shares, compared with only 2.5m last year.

Earnings, say the directors, are being generated by increased activity in the company's trading areas as well as from export sales, and it is in a good position to take advantage of the current upswing.

These promising forecasts, along with the acquisition late last year of DLA Industries, should put Lucem in a comfortable position, especially as the purchase of both companies was accomplished without digging into cash reserves.
CANNING

Pulling out of Walvis Bay

MB Ltd has pulled out of its can manufacturing operation in Walvis Bay. Metal Box deputy MD Peter Campbell says the Walvis Bay fishing industry is unlikely to require any cans from MB's plant either in 1980 or 1981.

Sufficient stocks of cans are available to supply current canning needs. And the fishing industry still carries considerable can stocks. Should additional can stocks be required, these will be supplied from factories in Cape Town, Paarl and Vanderbijlpark.

The drastic reduction in the pilchard fishing quota in Walvis Bay is reflected in 1979 quota of 12,690 tonnes for pilchards in the can, down to 4,000 tonnes for 1980.

Says Campbell, "In fact only 9,000 tonnes went into the can in 1979. The rest of the 26,000 tonnes caught, went into fishmeal." Can stocks escalated for both MB and the fishing industry.

In 1974 MB installed, at the request of the fishing industry, additional capacity to supply a total of 750m cans per annum. "We invested R3m," says Campbell.

But only 50m cans were sold in 1974. "With the fishing industry in steady decline since then, can sales dropped substantially. We only sold 3m in 1979 and expect to sell none this year."

Depreciation MB investment, including stock, template and cans is "well in excess of R3m," says Campbell. However, paint and meat can manufacturing is being transferred back to SA. "We'll try and sell as much of the stock as possible, transfer the template to other factories to decrease the amount of our losses."

The write-off at Walvis Bay will be treated as an extraordinary item and will not be charged against trading profits.

The good news is that trading losses at Walvis Bay have, as forecast, been reduced to half those of last year. Trading losses of R3.2m in 1979 have been reduced to R1.6m.

MB's financial year end was the end of March. Campbell gives no indication of profitability other than "it is expected the current buoyant trading conditions in most of the other segments of the group's business will largely offset the write-offs at Walvis Bay."

"With the excellent fruit crops experienced in the Western Cape, the best for 12 years, the Paarl canning operation broke, during February and March, all previous production and can sale records."

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Campbell... fruit not fish means cash in canning

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Financial Mail 4 April 1980
THE payouts for the 28 black mineworkers who died at the Vosloorus gold mine last week will be made according to the size of the victims' families.

The 28 miners, most of whom were from Transkei, were buried on the mine's premises this week and were not taken home for burial because of the state of their bodies.

A spokesman for the mine said the dead miners would be paid in terms of the Workmen's Compensation Act and widows of the men would be paid a certain amount until they died.

"The widows will be paid an amount for as long as they live and their children will also draw a monthly amount until they reach 18 years," the spokesman said.

The dependents of miners who were not married would be paid a lump sum.

The amounts would be paid out as soon as the dependents had made their claims, the spokesman said.

The families will get 75 percent of the victims' annual earnings and benefits. Of this amount, 30 percent will go to the widow, and three children will draw 15 percent each until they turn 18 years.

"In cases where the family has more than three children the percentage to be drawn will increase but will not exceed the miners' annual earnings," said the spokesman.

In instances where the miner was not married but had dependents, a payout of two thirds of four years' earnings will be made to the family.

Black mineworkers do not have a life insurance cover — they are covered only under the Act.

On April 10 a memorial service for the dead miners will be held at the mine. Families of the miners will be transported to attend the service.

The future looks bleak for the dependents of the blast victims at the Industria metal firm.

The families of the 12 dead people will be paid only twice their annual pay. This means if a person earned R100 a month, his family will get R200.

Mr S F Malan, managing director of the company, said this was the normal compensation for families of people who died at work.

He said the money was from the pension fund which also covered death of workers who were not as well informed should ask such questions.

While the company spent R10,000 for funeral expenses of all the dead, the news that the dependents will receive only a mere payout will certainly come as a shock.

Many of the dead men were the breadwinners of their families. Mr Malan said some money from the Workmen's Compensation Fund was to be paid out to the families. He could not give details of the amounts.

Those who survived the blast on March 17, but were injured will benefit from the Workmen's Compensation scheme and are to receive their full wages while they recuperate.

All the dead men have been buried, some in their homelands and the others in Soweto.

Workmen are working feverishly to repair the furnace which exploded.

When the first furnace — operated by Mr Joseph Masina — exploded, the others followed like bombs throwing the workers all over the place.

SUNDAY POST reporters.
Computers with minds superior to man's
Rearmament will benefit steel

JOHANNESBURG — The growing danger of a world conflict would add momentum to armament programmes, especially in the United States, and this would beneficiate international steel markets, Union Steel Corporation (of South Africa) Ltd (Usco) chairman Mr Martynus Marais said in the annual report.

He said there were good grounds for solid optimism about the medium-term future in the steel industry.

The upswing in the South African economy would not only continue in 1969, but also gain momentum with South Africa showing one of the highest growth rates in the western world.

The outlook for the South African market for mild, and particularly special steels, was favourable, and Uso expected better results in 1969 than last year.

The greatest economic problem facing the country was the high inflation rate, which management was determined to contain by efficient management and stringent control.

Large steel exports were not expected in 1969 because of US price control and EEC tariffs.

The relocation of the aluminum and cable plant was successfully completed in 1969, and it was expected that dispatches of aluminum conductor would be reduced in 1969, but because of an improved price structure, a profit would be realized.

Demand for copper products and cable showed an upswing and it was expected that these divisions would realize satisfactory profits.

Pre-tax profit in 1969 was £1.16m (R6,11m), earnings per share 31,34 cents (50,04) and dividends eight cents (9,50) — Better.

The document is in Afrikaans and contains a mixture of Afrikaans and English text. The excerpt provided is translated into English for better readability.
Seardel pays R2.5m for Sharp 75%

By SIMON WILLSON
Industrial Reporter

SHARP Electronics SA secured a major injection of capital yesterday when Seardel Investment Corporation bought a 75% interest in Sharp and its subsidiary companies.

The deal, worth R2.5 million, was signed by Seardel's chairman, Mr Aaron Searll, and his Sharp counterpart, Mr Colly Fram, and comes into effect from July 1 this year.

The price will be paid by an allotment of 150,000 shares in Seardel at R3.10 a share, with the balance in cash.

Mr Fram remains in control of Sharp's management team, and will have a seat on the Seardel board as chairman of the Sharp group.

Sharp is in the unusual position of being the sole South African distributor for the Sharp Corporation of Japan, but at the same time remains outside the Japanese multinational company's network of worldwide subsidiaries.

Sharp SA was set up with R200,000 in capital in 1973, and now ranks ninth in size in Sharp's international distributors. It has assets exceeding R19 million and a turnover of more than R19 million.

Cape Town-based Seardel is involved in the manufacture of apparel, leather goods and toys and also has substantial interests in shipping and freight forwarding.

The group has 24 subsidiary companies — 20 in Cape Town, three in Durban and one in Johannesburg — employing 7,500 people, and has a turnover of more than R100 million.

"We have been looking to diversify for over two years now, and in all that time we never found a suitable partner," Mr Searll said yesterday.

"We wanted to diversify into consumer goods, and we were looking for compatible management and an international brand name.

"Sharp turned out to be exactly the sort of company we had been looking for, and right from the start our negotiations went perfectly," Mr Searll said.

Mr Fram said Sharp had been on the lookout for additional capital since its inception, and had held informal talks with several merchant banks.

Sharp is established in the pocket-calculator and car-radio markets, and the capital that will become available as a result of the Seardel deal is to put to use in a major sortie into the hi-fi market.

"We aim to start hi-fi production in March 1981. This is part of the consumer durable market we have been eyeing for some time as stereo audio equipment is going to be a great growth field," Mr Fram said.

"We'll be aiming at the mass end of the market: portable radios, cassette recorders and music centres."
Boart's year of records

By Financial Reporter

Record sales and net earnings were achieved by the South African-owned Boart International group in 1979. Worldwide sales totalled R332-million, an increase of 20%, and net profit was R64 600 000 - 38% up.

The Boart group manufactures and provides tools, equipment and services for exploring and exploiting natural resources and supplies diamond and hardmetal products to the engineering and construction industries. The group has 50 companies in 28 countries.

Reporting on a year of sound progress and growth around the world, Mr Hilton Davies, chairman and managing director, says in his annual statement that the gold and platinum boom in South Africa spurred sales and profits of group companies supplying mining tools and equipment.

Boart's annual report says the group's Springs complex was a major contributor to profits. Sales of integral drill steels and hardmetal for industrial applications and exports also set records.

Sales of core drilling equipment and diamond bits were also up and other good performers in South Africa, in their first full year of operation, were Coolcoup, jointly owned with General Mining to supply the coal mining industry, and Mine Support Systems.

The group's Rhodesian companies performed extremely well in difficult conditions and in Zambia group companies benefited from higher copper prices. Disparc achieved record results.

Difficult market conditions in Europe eased a little in 1979. So that Shannon-based Boart Hardmetals Europe and its subsidiaries in Germany, Sweden, Norway and Britain were able to increase sales and earnings marginally.

In North America results were generally good. Core-drilling sales were excellent but contract drilling in the US was beset by problems including the weather. Canada benefited from the uranium boom.

Exploration equipment companies in Chile and Mexico performed well, but a diamond bit plant in Costa Rica faced weakening markets and manufacturing and contracting operations in Brazil still have to reach profitability.

Mr Davies says growth is the main aim for the 1980s. Chief business areas are expected to grow and Boart has moved strongly into the coal mining equipment business. A sector with worldwide potential for expansion is the manufacture of tungsten carbide tools and wear parts for industry.
Activities. Industrial holding company in the Anglo American group owns Boart International, Scarf Metals, Blyvooruitzicht, De Beers Industrial Freight Services, Highvald Steel and LIIA.

Chairman G W H Rolly
Capital structure 27.6m ordinary of R1 Market capitalisation R53.7m.

Financial Year to December 31, 1979

Borrowings: Long-and medium-term R57.6m, net short-term R2.5m.

Debt equity ratio 2.25, current ratio 1.5.

Net cash inflow R8.7m Capital commitments R2.1m.

Share market Price 2.100c (1977-98) high, 2.500c, low, 1.200c, trading volume 754,900.

Yields 5.1% on earnings, 5.6% on dividend. Cover 3.6, PE ratio 6.

Although chairman Gavin Rolly warns shareholders not to expect a repeat of last year's 63% earnings increase indications are that the group will at least be able to maintain its dividend growth rate at 30%.

The main reason dividends did not increase at the same rate as earnings last year was the increased retentions of the major operating subsidiaries to take advantage of inflation and to invest in expansion. Another factor, however, was that Amoc held back a greater proportion of its investment income. Unconsolidated earnings covered the outlays an unusually large 5.1% times compared with the average of 1.44 for the previous five years, indicating the scope to increase dividends even if the earnings growth rate slows down.

Also Rolly's statement was written before the acquisition of a 43.25% interest in Huggins, an investment which is expected to boost earnings by about 4% of earnings in 1979 results (up to March 20). On the 50% distribution from Huggins expected by the FM on 1980 the income from the 0.65m share held by the group would be R3.25m.

Although the impact on future own dividend income will depend on how much of this it receives from wholly-owned Scarf Metals, through which the acquisition was made.

Last year's earnings improvement was broadly based with all major operating subsidiaries contributing (see table). Results were enhanced by acquisitions made in 1978, particularly before and African Products which were consolidated for only six and three months respectively in that year.

Mondi and Boart contributed 21.7% and 20.7% respectively to the improvement in group earnings.

Both benefitted from buoyant mining industry conditions while Scarf was also able to substantially increase export sales of railroad products. More recently however Scarf has noted a softening of the international market for railroad products and for this reason the company does not see 1980 earnings improving to the same extent as in 1979.

Boart, on the other hand, has made a number of strategic acquisitions the most important of which was a major interest (50%) in Klockner-Bechtold (SA) and the partnership with the German parent of this Johannesburg coal mining equipment supplier is expected to be of substantial benefit to the group. It consequently sees a further significant increase in sales and earnings this year.

Group capex is likely to be significantly higher than last year's R81.8m. Apart from Mondi's R13m, which is expec-
ed to cost R70m, Scaw is to spend about R35m on a new bar and section mill, and a grinding media plant at Rustenburg to serve the platinum mines. But this should not strain group resources as the bulk of it will be covered by net cash flow which is likely to total at least R100m this year.

In any case the group is in excellent financial shape and could well afford to increase borrowings, currently a low 22.6% of permanent capital. Total debt increased by R24m last year associated mainly in a restructuring of the long-term short-term relationship. R28m in new long-term loans were raised, while short-term borrowings dropped R4m and now account for only 46% of the total compared with 62% a year ago.

The share at 2.100c looks very good value. The historic dividend yield of 5.0% is above the industrial market average of 4.7%, whereas, logically, a company of this quality should be trading at a premium. Alme could distribute 140c this year which adds to the attractions as the 6.7% prospective yield should provide a measure of protection even if interest rates turn higher.

Brian Thompson
ISCO

Black is beautiful

ISCO's encouraging performance this year — as predicted by the F.M. it's back in the black — has given a boost to hopes that a semi plant at Saldanha Bay will be established soon. The corporation's new viability must be seen by its potential partners in the proposed plant (which will mainly produce steel ingots) as a positive augury.

Profits for the first half of its 1980 financial year are about R20m, and chairman Tom Muller's projection is that they will be in the order of R30m for the full year. This will be the first time since 1973, when ISCOR recorded a R14m profit on assets worth R1 600m, that it will make a real gain.

ISCO, whose turnover for the year to July 1979 rose 26% to R1.8 billion, last year, showed a loss of R28m, compared to the 1978 deficit of R27m. On paper, its turnaround is even more impressive in that it did without the State's R30m contribution to financing its debt burden.

"But," says Muller, "these profits still

not good enough and ideally should be used to about R400m. This would represent a far healthier return on investment assets of almost R2 billion — a return which would even do credit to a private sector concern."

With an expected mid-year steel price increase of between 10% and 15% "to keep pace with inflation" (and take care of increased rail tariffs which could push its transport costs up by as much as R30m), ISCOR should be able to maintain its profit pattern, especially as developed nations reduce production in the face of rising labour and energy costs.

West German steelmakers, for instance, at year produced 46 Mt of steel, nowhere near the 54 Mt mark of 1974, but the JSA for this year as not as good report producer. Therefore, as rapidly dissipating and only 30% of its sales are not attributable to basic steel production, ISCOR on the other hand, has paid a dividend since 1974. It hopes to break even in 1980 (after reducing losses "sadly since 1977") and show a profit the following year.

Japanese steel producers are forecast an output of 16 Mt for this year (2 Mt in 1979). This will put capacity utilisation back 3% on last year's 86% of 140 Mt total. They see exports falling out 3% from the 34 Mt exported in 1979, although the US west coast market is holding up well. Japan's steel imports, which had been dropping, are still considered sound.

More and more steel production is in countries like South Korea, SA, Taiwan, Brazil and India, which has shown the biggest growth in steel output worldwide," says Muller. On the negative side, though, decreased demand for steel in the US and EEC countries, coupled with less favourable world steel prices, could inhibit growth if exports and foreign exchange earnings (ISCO is looking at R400m worth in the current year) is seen as the criterion.

With roughly a third of ISCOR's output (or 1.8 Mt) exported, ISCOR's balance sheet could be dented. On the other hand, were this quantity to be taken up locally (and there is no real reason, given the present boom in the economy, why the greater portion shouldn't be), the corporation would not an additional R200m in local sales.

With a trend developing among the world's largest steelmaker to focus on high-yielding steel products from crude steel (because of high energy costs), modern steel furnaces have been shut down as crude capacity has been reduced. On top of this, environmental considerations and pollution have also reduced crude capacities and halted further expansion.

For this reason, Muller foresees that in the near future a healthy export market for semi products would develop. While the idea of a semi plant at Saldanha Bay was mooted some while back, indications now are that its development is being left to the private sector — in partnership with ISCOR.

Industries minister Dr Schalk van der Merwe has hinted strongly that a private sector group is looking at the feasibility of such a plant, but won't say much more.
SKILLED LABOUR

Pulling up short

One can only hope that the repeatedly voiced concern over Iscor's drastic skilled labour shortage directed at a group of parliamentarians on a tour of Iscor plant and mines last week will be heeded.

So crippling is the artisan shortage that some members of the tour group have gained the distinct impression that sections of Iscor works will soon have to close down. This is dismissed by personnel manager Johan Prinsloo. "It isn't that bad yet." Nevertheless the situation is serious enough to cloud the optimism with which Iscor has been showing a profit for the first time in seven years (see Business).

views the future

Of a total black and white labour force of 63 000, Iscor has a required strength of 6 999 artisans. Present artisan staffing is 5 843, a shortage of 1 156 or 23%, throughout the corporation. One of the major problems says Prinsloo is poaching by the private sector. "Our skilled labour turnover is 31.7%", he points out.

Iskor has spent R1.2 million on training artisans. Its present training complement is 4 425 or 47% of the 9 341 apprentices being trained by the entire Steel and Engineering Industries Federation of SA group, of whom 48%, or 1 799 are undergoing compulsory military service.

The shortage is obviously worse in isolated areas. In Sishen, for example, only 80% of artisan berths are filled. There are 510 apprentices training there, but 162 are in the army. The problem there is that there are no labour resources to draw from unlike places like Newcastle.

How does Iscor plan to overcome this handicap to assure continued growth? "In the short term we are sub-contracting farms to handle engineering work says Prinsloo. Overseas recruiting also plays a part, albeit limited.

But in the long term, the only solution is seen as full-scale training of black artisans to alleviate the shortage which is prevalent among electricians, fitters and turners. It is here that opposition from white workers' unions comes to the fore. "They don't want to meet us on this score," says Prinsloo. One of the bugbears, abhorrence of racial integration on the shopfloor aside, is that only whites are compelled to undergo military training.

Prinsloo says that, if the barriers to job advancement and training were removed, "Iskor has the facilities to start training tomorrow." Iskor's policy on training blacks is to consult with whites first. When Indian apprentices were admitted to the Newcastle works, anyone objecting to assisting in their training could transfer to another section.

The Paulske Mineworkers' Union has also played its part in Iscor's labour problems. It wouldn't allow coloured artisans into Sishen because it didn't see it as a coloured growth area. However, when Sishen officials pointed out to Industries Minister Dr B. J. van der Merwe that it didn't quite know what to do with an area set aside in its residential area for coloured housing, he pointedly asked that it be kept on the drawing board.
By John Murray

A wholesalers' cartel has fixed the prices of electrical equipment used in new buildings and forced them up 25 to 30 percent this year, say people in the trade.

One distributor who refused to join the cartel said he had been told he was not a member of its members not to quote any prices, before telephoning because they were changing from day to day.

Another said the cartel was definitely fixing prices and he suspected it among other firms.

Mr James Baker, director of the Electrical Contractors' Association, said his body had withdrawn from the cartel because it was against price fixing.

"We encourage our members to deal with individual wholesalers and not just to accept listed prices."

One contractor said that circuit breakers were to go up on April 1's percent but they are already being paid at the increased prices. "They were R29.10 and they are now R32.30."

He said that in January a mm silicone-covered wire cost him R5.55 and three weeks later the same dealer was asking R83.50. "Reasons given, he said, were that factories had put their prices up and the price of copper had gone up.

A month ago a P6 starter motor was R23 and it is now R27 with a R4.41 silver surcharge on top of that.

The contractor said that main items affected were cable, wire, switchboards, circuit breakers, starters and conduits.

He knew of a case where wholesalers refused to keep equipment provided by a manufacturer because the firm was not a member of the cartel.

LEGAL

Protected switch plugs invade circuit breakers were made legal at the beginning of the year, he said, and they immediately jumped in price from R8.30 to R11.40.

Another contractor said that despite the fact that plastic conduits had leapt from 25c to 36c a metre the finished article had increased in price by only eight to 10 percent.

"Much of the materials are by products of petrol," he said, "so every time there is a rise in the fuel price PVC goes up."

Copper has risen from R1.20 a ton in 1979 to R1.60 now and PVC from R630 a ton to R1.500, he said.
THE tempo of industrial activity is rapidly accelerating, recent production figures and reports from members of the Steel and Engineering Industries Federation (Seifsa) show.

The Department of Statistics reports that its index of the physical volume of manufacturing production (1963-64 equals 100) rose to 214.1 in February, an increase of 15.5 percent on the January index and of 11.7 percent on the year-ago figure.

According to this index, manufacturing output in the first two months of 1980 was up 9.6 percent against a 6.1 percent increase in production last year.

The upturn in output indicated by the department's index is confirmed by Seifsa's latest business conditions report.

Most sectors of the metal and engineering industries enjoyed improved levels of activity in February, Seifsa says.

The order intake and production levels of sectors supplying the mining and building industries and making consumer goods, in particular, seem set later this year to achieve levels last seen in 1974.

The general engineering sector is also experiencing improved output levels. But the upswing still remains weak in the heavy engineering and fabrication industries which expect only a fair workload to the middle of the year.

However, the steel industry is expecting a continued improvement in domestic demand, while export earnings are expected to be maintained in spite of a tightening worldwide demand.

**PROBLEMS**

The steel and engineering industries are not without their problems. Seifsa says that delivery periods are tending to lengthen, reflecting increasing pressure on plant and machinery capacity and shortages of certain categories of skilled and semi-skilled labour.

It is now known that plant utilization reached 87.7 percent in November. This is expected to lead to new investment programmes during the second half of this year which should provide further stimulation to Seifsa members supplying capital goods and equipment.

The situation in various sectors is as follows: Agricultural and irrigation machinery — demand improving but capacity not fully utilized.

Motor components — improved new car sales are stimulating new orders.

Building trade suppliers — demand increasing.

Electric cable — trading is satisfactory. The SAR electrification programme and black township electrification schemes are expected to stimulate orders.

Electrical machinery — demand reasonable but heavy electrical equipment sector is not getting many orders as it would like. The Post Office's telecommunications expansion plan has improved medium and long-term prospects.

**SHORTAGE**

Iron, steel and ferro-alloys demand in February for flat products rose 17 percent, but a labour shortage is developing.

Foundry sector — some improved, but still high underutilisation of capacity while labour is moving out of the industry.

General engineering — further improvement in order intake but shortages of some types of skilled labour are reported.

Heavy engineering only fair workload but Eskom's expansive programme expected to help from 1982.

Light metal manufacture order level and production show further improvement.

Non-ferrous metals — strengthen, order intake
NEGOTIATIONS have been concluded by which Mitchell Cotts will acquire the total share capital of W J McIntyre (Pty) for a cash consideration of almost R1-million, a Mitchell Cotts statement says.

McIntyre is a Vereeniging-based company which specialises in the supply of precision engineering requirements to major industrial concerns in the Vaal Triangle and beyond, including Sasol at Secunda and Iscor in Newcastle.

The company will be a separate, wholly-owned subsidiary of Mitchell Cotts and will operate under the sales and distribution group of Mitchell Cotts companies, said the statement. — Reuter
Building, mining, lead stocks, rail

The general economic outlook at the end of the year was one of relative stability, with only minor fluctuations in key sectors. This was evident in the performance of the manufacturing and construction industries, where indicators pointed to a continuation of the trend seen in the previous quarter.

The housing sector, particularly in urban areas, showed a slight increase in activity, driven by rising consumer confidence and improved mortgage rates. However, the same trend was not observed in the rural regions, where a shortage of affordable housing remained a significant challenge.

Stock levels in the mining sector remained high, with lead stocks particularly strong. This trend was attributed to the recent price hikes in the commodity market, which had led to an oversupply in the market.

Infrastructure projects, particularly in the rail sector, continued to receive significant investment, reflecting a growing demand for efficient transportation networks. Despite this, there were concerns over the availability of skilled labor, which could potentially slow down project completion.

Overall, the outlook for the year ahead was optimistic, with a focus on promoting economic growth through continued investment in key sectors. However, caution was urged, with potential risks including fluctuations in commodity prices and the need for further development in the housing and infrastructure sectors.
Escom announces that it is to place orders for six 600MW turbine generators and for the associated boilers for the Tutuka power station.

The contract value of the orders will be more than R760m.

The announcement said that subject to current negotiations being successfully completed, the turbine order would go to GEC Turbine Generators and the boiler order to L and C Steinmeuller Africa (Pty).

The turbine order will be worth more than R360m and the boiler order more than R400m. A substantial part of the boiler money is to be spent in South Africa.

The Tutuka power station, one of several large coal-fired power stations to be erected by Escom during this decade, is to be constructed north of Standerton, Transvaal, on the new Denamrk coal field.

The first turbine generator and boiler is scheduled for commercial operation there early in 1985. The remaining units are planned to come in at intervals of nine months.

The order was won against competition from Mann of West Germany and French manufacturers at a time of low international and domestic demand for turbine generating plants. GEC Engineering will sublet the turbine contract to GEC Turbine Generators in Britain and the manufacture of the equipment, which will extend over six years, will provide valuable work for GEC plants at Rugby, Manchester and Stafford. The turbine generating units will be duplicates of the six 600 MW units which GEC is supplying to Escom for the Duvha power station.

As on the Duvha contract there will be a considerable local content and work will be placed not only with local GEC companies but with associated companies such as Barlow Heavy Engineering in Benoni.

**Contract means jobs for 8500**

The Star Bureau

LONDON - About 8500 GEC workers would have lost their jobs but for the South African contract, said Mr. R. J. Davidson, managing director of GEC Turbine Generators.

Work on the generator order would employ about 1,000 workers for the next six years.

With the new order, GEC will have won 80 percent of South African turbine generating contracts since 1972. The company said this was a considerable achievement when it is remembered that these are 10 to 15 years after the business began.

Finance for the project is being arranged exclusively in the United Kingdom by Had Samuel, the merchant bankers, and backed by the Export Credit Guarantee Department.

Depressed British demand for generators in recent years has forced GEC to look abroad for the bulk of its business. It was not the British government that was at fault in permitting fluctuation in prices and current swing in demand, but the region's overcapacity and the growing awareness of the need to prevent fluctuations.
Metal industry improves

JOHANNESBURG—Most sectors in the metal and engineering industries showed improved performances during February, according to a report on business conditions by the Steel and Engineering Industries Federation of SA (Seifsa).

Mr E P Drummond, Seifsa director, says in the report that orders and production, particularly in sectors associated with the building and mining industries and consumer durables, now seem set this year to achieve levels of the kind last seen in 1974.

The larger general engineering sector also reports improved output levels, but the upswing still remains weak in the heavier sectors of the metal and fabricating industries, which report only a fair work-load to the middle of the year.

Deliveries

Reports to Seifsa during February show delivery periods, in general, are tending to lengthen, reflecting an increasing demand in the overall economy, an increasing pressure on existing plant and machinery capacity, and also some restraint in production performance.

The gathering momentum in the Seifsa group of industries is further reflected in the steel industry, where indicators point to a continuing improvement in domestic demand.

The report says regarding agricultural and irrigation machinery and implements—that manufacturers report improved demand during February.

Components

Automotive component manufacture February reports reflect that increased sales of new cars and commercial vehicles during the final quarter of last year and improved sales expected during the current quarter are stimulating order intake and production levels.

Building industry supplies this sector, reports increasing demand from the upturn now under way in building and construction (Sapa).
Seifsa guidelines on unions set for change

By RIAN DE VILLIERS
Labour Correspondent

The controversial guidelines on black unions issued by the Steel and Engineering Industries Federation of South Africa (Seifsa) may be declared as a result of industrial council negotiations with registered metal unions this year.

This is likely to include a relaxation of the existing bar on stop order facilities for unregistered unions contained in the current industrial council agreement.

The guidelines were discussed following representations to Seifsa by the Confederation of Metal and Building Unions (CMBU) who represent the bulk of registered unions in the industry - earlier this year.

Seifsa's director, Dr. Errol Drummond, confirmed the guidelines had been discussed and said employer representatives had proposed certain modifications which would be the subject of formal industrial council bargaining next month.

CMBU's director, Mr. Ron Nicol, also confirmed that the guidelines had become a subject for industrial council negotiations.

If agreement is reached over the employer proposals before the council, it will entail amendments to the guidelines, he said.

Both spokesmen declined to comment on the proposals as they were non-public documents in terms of industrial council rules.

However, it is believed the present bar on stop order facilities for unregistered unions is likely to be a major issue.

In its guidelines on the enumeration of black unions to member companies last year, Seifsa pointed out that the current agreement prohibited firms from granting stop order facilities for the deduction of dues to members of unregistered trade unions.

This has been one of the major objections of registered unions involved in organizing black workers who have claimed that the restriction would make it difficult to get black workers off the ground.

1969.

Hart, O.D.

1969.

Booth, L.H.

3.3.1970.

Fairley, H.G.

J. 79, 802-31.

Faure, P.A.

P. 2.

P. 46.

R. P. Y.

Y. 72.

Barto, R.J.
Metal clash looms over black unions

By STEVEN FRIEDMAN
Labour Reporter

LONGSTANDING tensions between registered and unregistered unions over black unemployment are expected to surface again at a meeting of metal unions today.

The assistant general secretary of the Congress-based International Metalworkers' Federation (IMF), Mr Werner Thonnessen, will attend the meeting.

Some sources say he is visiting South Africa to attempt to patch up inter-union differences, but local federation sources say his visit is "routine."

The South African council of the International Metalworkers' Federation is meeting in Johannesurg today. A number of registered metal unions belong to the federation, as do metal unions affiliated to the Federation of South African Trade Unions.

About 300,000 workers are employed in the metal industry.

Although Mr Thonnessen's visit was described as "routine", it is certain to prompt renewed discussion of the tensions which have plagued the council for some time.

Some of the registered and unregistered IMF unions have been involved in a number of disputes when members of a federation affiliate struck at the Eveready factory, some registered unions were accused of not backing the strikers.

Attempts by registered unions to organize par-dec black unions have been a particular bone of contention late.

The Foatan unions have claimed that the registered unions are trying to "peach" members of Foatan unions in an attempt to change black workers into "white" unions.

IMF officials are known to be concerned about the inter-union dispute and have said that they believe it is hampering the unions work. Mr Thonnessen is thus expected to attempt to improve relations.

Earlier reports said that the federation had threatened to cut off aid to local unions if the tensions continued, but union sources say no such threat was voiced.

The federation is not planning to end its South African involvement, they said.

A federation source said yesterday that the meeting would discuss ways of making the South African council more effective. At the moment it is achieving little because of the conflicts.

He added that unregistered unions were likely to appeal for shop floor cooperation between them and registered unions.

Some IMF unions wanted to see the appointment of a South African unionist to run the committee on a full-time basis. But this is impossible while the conflict continues, they say.

Another source said "all the old hatreds are likely to come up again."

He said one bone of contention could be the application for membership of the Steel Engineering and Allied Workers Union, which is affiliated to the Consultative Committee of Black Trade Unions.

The union has been formed after a split in the Steel Engineering and Allied Workers Union, which is now affiliated to Foatan. Its application could thus pave the way for further tension in the council.

Introduction

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ECONOMICS HONOURS

SOUTH AFRICAN ECONOMIC PROBLEMS

Jonathan Triggs

31 March, 1980
Unions face crucial test over racial differences

By Seg Hammig

South Africa's most widely representative body of trade unions today faces a crucial test which could provoke a racial split or overcome deep divisions.

Analysis will be discussed at a meeting this afternoon of the South African Coordinating Council of the International Metalworkers' Federation (IMF) in the presence of the assistant general secretary of the 14-million-strong organisation, Dr Werner Thorsnessen.

The South African council's 11 trade unions, representing close to 100,000 workers of all races, has to overcome two controversies which could split it along mainly racial lines:

- Member unions are in conflict over the organisation of "parallel" unions for blacks in companies where so-called independent unions are also recruiting blacks:

- Some member unions oppose strongly with the decision of most white and coloured members union to delay blacks from apprenticeships unless they declare themselves prepared to do military service.

The council came close to total collapse more than a year ago over changes in a system which grew from the Eveready strike in Port Elizabeth. This strike led to a IMF backed call for worldwide boycotts against Eveready. But hopes are held that the presence of the Geneva-based assistant general secretary will help to restore harmony in the council's ranks.

Dr Thorsnessen is the man who helped to found the council in the face of serious obstacles in 1974.
Packard prefers SA business to Nebraska's

By C. R. BRANT
Industrial Feature

THE PASSAGE of arms ex-
ports from the United States to
South Africa was an unnec-
essary interference with our
American foreign policy, Mr.
David Packard, chairman of
Hewlett-Packard, said yester-
day.

He said at the grand bre-
aking ceremony for the South
headquarters of the Califor-nia
based electronics manufacturer's South African subsidiary that he could not agree with the
United States South Africa
trade policy, and hoped it would change.

"While the Carter Admin-
stration's emphasis on human
rights in foreign policy is right in many ways, it also com-
pletely misses the point on several
important areas.

"Above all, it misses the
point that our two countries have important strategic links and
common interests," Mr. Packard said.

The United States Commerce
Department announced the emb-
dage on exports of all goods to
the SA Police and Defence
Force in South Africa in Febru-
ary 1978.

The embargo was designed to
cover the entire range of civil-
ian products which could be
used by police or military
forces, and reduced exports
amounts to 30 percent.

"We hope to see the resumption of the trade relations but we
believe the embargo will slow down
and the other trade cooper-
ations between our two coun-
tries," Mr. Packard said.

Hewlett-Packard's commit-
tment to building the R 2000
Randen headquarters was to
prove the company's aware-
ness of the opportunities that
exist in South Africa.

"We hope to participate in
the explosive growth of our
economy, and I hope that some-
time in the future our involve-
ment will enable us to establish
manufacturing capability here
as well as our marketing and
distribution operations," Mr.
Packard said.

Hewlett-Packard had lost a
quarter of the value of its busi-
ness — worth more than $3-
million in 1976 — with the emb-
dage, Mr. Packard said.

"We're not suffering, but for
us, it is a major hit," Mr. Pack-
ard said.

Mr. Packard said that the com-
pany would continue to trade
with South Africa, even if it
meant losing money.

"We're not going to close our
doors to South Africa," Mr. Pack-
ard said.

Mr. Packard said that the com-
pany's future in South Africa
would be determined by the
government's policies.

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Mr. Packard said that the com-
pany's future in South Africa
would be determined by the
government's policies.
Unions in bid to allay fears

Labour Reporter

IN A move to allay the fears of skilled white workers, metal unions yesterday called for a campaign to improve educational facilities for all.

The call was made at yesterday's meeting of the South African Co-ordinating Council of the International Metalworkers' Federation, which was attended by representatives of registered unions only.

Mr. Joe van der Watt, chairman of the council, said yesterday that he would immediately seek a meeting with the relevant Ministry to discuss the planning of such a campaign.

A leading registered unionist, Mr. Ben Nicholson, said the call had been joined because of the difficulties of convincing skilled workers to let people of other races into skilled jobs.

He said white skilled workers were apprehensive about allowing other races into skilled jobs because they feared black education was inferior. They believe we would be lowering the standard of skilled jobs and placing their jobs in jeopardy.

The purpose of the campaign was to raise educational standards for all and thus convince skilled workers that their jobs are not in danger of going to less skilled labour, he said.

Registered unions have been under fire from their black counterparts for "blocking black job advancement" and the call is also seen as an attempt to allay these fears.

The shortage of "fully motivated and qualified" teachers for all races in subjects like maths and science meant that there was "a real danger that South Africa will not be able to train the technical personnel which is needed", said a statement issued by the unions yesterday.

The unions also complained about a "widespread stress" on academic rather than technical education and the understaffing in all education systems and added "The present situation may lead to widespread and permanent poverty among all population groups."

The unions said they realised that the Government is "limited in the steps it can take to improve the situation", but expressed dismay at "the apparent lack of urgency displayed by all in this matter."

The statement said that black education was the most disadvantaged area and added that the amount voted for it in the last budget "falls far short of the needs of this group."
Race split in metal workers

By Siegf Hambrecht

South Africa's most widely representative body of trade union opinion, the local Co-ordinating Council of the International Metalworkers' Federation (IMF), has ceased to function.

This was confirmed last night by the man who founded it in 1974, Dr Werner Thoennessen, assistant general secretary of the 31-million-strong IMF.

Dr Thoennessen described the crisis in the 31-million-strong council as serious, damaging and very painful to the IMF.

The council’s split, along mainly racial lines, became apparent yesterday when the predominantly black metal-workers of the Fosatu group stayed away without explanation from a council meeting held in Dr Thoennessen's presence.

Only the predominantly white and coloured unions belonging to the Confederation of Metal and Building Unions were present.

One of the Fosatsu unionists, Mr Bernie Fanaroff, attended the meeting as secretary of the council but not as a representative of his union.

At a Press conference after the meeting, Dr Thoennessen said he was meeting the Fosatu faction separately in Port Elizabeth today.

"The council will not function as long as both groups are not sitting around the same table," he said.

But he stressed that yesterday's meeting was unanimous in its attitude that the council should survive.

Co-operation across the colour line was particularly necessary, given the present "challenging" situation for South African workers.

He would return his mediating role, but could not "push" the factions together.

Dr Thoennessen described recent labour reforms as an important step forward but said it would be some time before the consequences could be seen in full.

"The union can be..."
Unions' bid to heal split fails

Attempts to heal the split among unions in the engineering industry failed in Johannesburg yesterday when one of the two factions failed to attend the meeting.

Unions affiliated to the Federation of South African Trade Unions (Fosatu) stayed away from a meeting of the SA Coordinating Council of the International Metalworkers' Federation, which consists of 11 unions with a membership of 86,000.

The council was formed five years ago.

The unions that are affiliated to the Trade Union Council of South Africa (Tucsa) went ahead with the meeting and decided to call on the Government, employer organisations and trade union co-ordinating bodies to launch a crash programme to improve the educational facilities available to all population groups in South Africa.

The assistant general secretary of the IMF, Dr Werner Thoenissen, who is on a visit to South Africa, will be talking to the Fosatu unions in Port Elizabeth today.

The Fosatu unions are against the creation of "parallel" unions by Tucsa affiliates and they are against the ban on Africans from apprenticeship unless they do military training.

The first signs that the council was crumbling came in 1978 when black delegates walked out of a meeting of the council because it had accepted an explanation of the strike at Eversley in Port Elizabeth without consulting the union that had called the strike.

The explanation had come from the Minister of Labour.

The unions in Fosatu are mainly black.
Black boycott rocks unions

BY STEVEN FRIEDMAN
Labour Reporter

In a move which has major implications for interracial cooperation across the colour line, predominantly black metal unions yesterday boycotted a meeting of an organisation which has been set up as a forum for inter-race cooperation among unions.

The meeting of the South African Coordinating Council of the International Metalworkers Federation was attended by the Federation's general secretary, Dr Werner Thomassen.

It was expected to discuss growing tension in its ranks between registered unions and those affiliated to the Federation of South African Trade Unions.

At a press conference yesterday Dr Thomassen said the coordinating council was in abeyance for the moment.

He added that it would not function again until the two parties are able to sit around the same table again.

He described the rift as "serious and deep" but added that he was confident that cooperation would be restored and that the council would continue to operate.

He added that he would be meeting Feasts-registered metal unions in Port Elizabeth today and hoped to use the meeting to mediate between the two factions.

The metal council is South Africa's largest coordinating union council in a particular industry and has been seen as an important forum for inter-race cooperation.

But tensions between Feasts-registered unions and some registered unions have grown lately.

Feast unions have been organised by some registered unions which they claim are organising "parallel black unions in competition to them.

There has also been tension over a call by registered unions for blacks who wish to become artisans to undergo military training.

A spokesman for the South African Metal Union confirmed last night that the unions had stayed away from the meeting.

We feel that attending council meetings is not productive. Some registered unions are using the council simply to build up credibility. They claim to be cooperating but refuse to cooperate on the factory floor.

He added that Feast unions are not opposed to cooperation. But he believes cooperation must start on the shop floor and not in the council meetings.

Mr J. van der Walt said yesterday we have had our crosses borne and we weathered the storm. We want to do the same this time.

Mr Thomassen also revealed that yesterday's meeting had suggested that a non-Feast black union, the Steel Engineering and Allied Workers, may be admitted to the council.

This is expected to annoy Feast unions.

He denied suggestions that the IMF would cut aid and to local unions if the rift continued. He believed in constructive engagement in South Africa and would continue to help local unions, particularly those organising blacks.
NEI

Merger gains

Activities. Engineering holding company with four main trading subsidiaries: International Combustion (power and process industries), John Thompson (boiler and efficient plant), Cummins Diesel (automotive and industrial), and Thomas & Taylor (construction and earth-moving machinery).

Chairman: L.G. Abrahamse, managing director H. Bieber

Capital structure. 5.1m ordinary shares of 50c. Market capitalisation R26.5m.

Financial. Year to December 31 1979

Borrowings: long and medium-term, R4.9m, net short-term, R4.4m

Debt equity ratio 87.2%. Current ratio 1.8. Net cash flow R3.3m. Capital commitments R116.000.

Share market. Price 520c (1979-80 high, 520c, low, 280c, trading volume last quarter, 103,000 shares). Yields 14.2% on earnings, 6.2% on dividend.

Cover 2.3, PE ratio 7.1

In its first full year of operations since the merger between Clarke Chapman and ICAL, NEI Africa has taken advantage of the economic upswing and turned in a solid performance. All the group's major subsidiaries did well. Major profit contributor ICAL increased orders by 18% over the year and MD "Blitz" Bieber tells the PM the order book has doubled with the restart of a major project at Wankie in Zimbabwe. These orders, however, are unlikely to contribute to profits this year.

Other subsidiaries, adds Bieber, are working close to turnover and profit targets, with the Fiat-Allis machinery supplier Thomas & Taylor slightly ahead of bud-

get after one of its best quarters ever.

New acquisition Reyrolle Parsons (RP) is also ahead of budget. In the merger documents, consolidated earnings from RP were estimated at around 14c.

The export market remains strong, with Zimbabwe opening up and the Indian Ocean islands still profitable.

Bieber says the group has no other diversification plans in the pipeline at the moment, although the parent company NEI (UK) recently bought International Power Machines of Dallas. This company specialises in continuous power supply to computer installations, and the scope for extending operations to SA should be considerable.

ICAL subsidiary Apex Valves continues to operate at a loss but has been restructured. The question of profitability is under study, say the directors, so there could be some thought about shelving this loss area.

The group has a solid balance sheet and considerable liquidity, although the R13m in cash balances and deposits in the balance sheet has been cut by around R4.2m by the purchase of RP and Air Steel in the Cape.

With the added contribution of RP this year, NEI should be able to pay at least 30c despite its conservative dividend cover policy. At a 520c high, yielding a prospective 7.3%, this year's prospects make the share an attractive medium-term hold.
METAL CLOSURES

Activities: Manufactures metal closures and tubes, plastic crates and domestic plastic ware, and sells closure sealing machinery.

Financial: Year to December 31, 1978
- Net cash flow: R100,000
- Debt equity ratio: 2.9
- Current ratio: 2.9
- Net cash flow: R2m
- Capital commitments: R3.5m

Share market: Price 490c (1977-80, high 590c, low 210c, trading volume last quarter: 23,000 shares)
- Yield: 14.1% on earnings, 4.8% on dividend
- Cover: 2.9
- PE ratio: 7.1

The upsurge in economic activity over the past year has affected all Metal Closures' operating divisions, and profits and dividend have advanced substantially. What is more, says chairman Dawie Marais, the momentum of the upswing should continue this year with a "favourable effect" on the group's turnover.

The past year's results are not directly comparable with the previous year because the group has now adopted the LIFO method of stock accounting. In 1979, this led to an effective drop of R484,000 in pretax income and a consequent reduction in the tax burden.

Nevertheless, the picture which emerges from last year's performance is healthy. The turnaround from a declining profit situation in 1976 and 1977, which was corrected in the following year, has now steamed ahead, and turnover rose 36%.

The plastic factory has been hard pressed to meet consumer demand over the past half year or so, and the group is now expanding capacity with a new factory in the Cape. The plant should be completed by the end of this year and its benefits felt next year.

The existing Cape Town factory has changed from liquid petroleum-based operations to a coal-based system with considerable cost savings.

Developments in the cold-drink market, with the introduction of 500 ml and 2 l bottles, have aided the closures market considerably, while demand for closures in the food market has also been at a very high level. Crate sales have been at "extremely high" levels, the directors say.

The company's debt equity ratio is low. And with only R300,000 in loans outstanding at year's end, it could be advantageous to fund this year's capex with long-term debt.

There has been a welcome reduction in...
By end-1979, total borrowings had increased to R12.5m (R10.6m), which is equivalent to nearly 14 years of gross cash flow. The increase was not matched by higher stocks — they fell to R8.1m (R8.5m) — and must have surprised finance director Ronald Fitchney who, at the half-way stage, told the PM that short-term borrowings and total debt had been "substantially reduced." The annual cost of servicing the interest and leasing payments is covered by a relatively slim 1.8 times by gross profit.

Erikson does not appear to be aiming at reducing total borrowings, but rather at changing the relationship between long- and short-term debt. Last year, R1.6m in long-term finance was raised. However, at end-December the short-term debt total was higher at R6.1m (R5.6m). Admittedly, there was an improvement in short-term liquidity as measured by the 1.6 (1.3) current ratio, and cash balances were well up at R539,000 (R108,000), but with more than a 11 debt equity ratio, earnings could be particularly vulnerable to any fall in turnover.

Last year, lower sales meant a smaller 11.4% (14.8%) return on capital employed. While an average interest rate on total borrowings is difficult to calculate accurately, it appears to be around 11%. This does not leave much leeway for further stock problems materialise this year, or if there is another fuel scare.

If the motor industry performs as expected, and the new Kawasaki franchise shapes up, earnings should advance strongly. But until the company has corrected what looks to be excessive gearing, the share will probably continue to be more poorly rated than other motor shares.

At a high of 200c, which compares with an net asset value of 81c, the share discounts nav by 75.5% and yields 6.3%, which is relatively cheap for the sector. Short-term, there could be some upside potential in view of the positive benefits of gearing in a market upturn.

Centrally to general experience in the motor industry in the second half of 1979, Erikson reported a sharp reduction in profit. Negative gearing came into play as a high interest bill coincided with a period of lower sales. This year's prospects appear much better, provided there are no further rises in the Eastern Cape, which contributed to stock shortages, and ultimately a profit decline in the first half turnover was R30.2m (R30.5m), with pre-tax profit of R55,000 (R79,000). However, in the second half, when stock shortages coincided with the recovery in motor vehicle sales, despite higher turnover of R33m (R27.8m), a 44% pre-tax profit drop to R47,000 (R1.1m) was reported.

The directors say that but for the fuel crisis in the middle of 1979, and the stock shortages both locally and in the UK, the company would have achieved "greater turnover growth." Sales might then have been sufficient to offset increased expenses, and the still-high annual interest and leasing bill.

In contrast, Unsee subsidiary Grosvenor, which also sells Ford products, had a better year, reporting a taxed profit increase to R459,000 (R199,000).

For the current year, the directors are pinpointing their hopes on the more buoyant economy, and the new Kawasaki franchises in Johannesburg and Swaziland. This comes with the proviso that there are no stock shortages which, judging by the past two years' experience, is by no means certain. Last year's stock problem cost an estimated 10% sales loss.

The board's confidence is, however, reflected in the dividend advance to 12.5c (10.6c annualised), despite lower annualised earnings. And the higher payment comes despite the high gearing and the low cover on the annual interest/leasing

**Table**

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<th>Year</th>
<th>Return on cap %</th>
<th>Turnover (Rm)</th>
<th>Pre tax profit (Rm)</th>
<th>Gross margin %</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Net asset value (c)</th>
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*Figures in brackets are audited*
Spark plug deal

Industrial Reporter

SMITHS Industries SA will assemble Japanese NGK spark plugs next year at a R1-million plant to be built in Natal, and will distribute the plugs throughout Southern Africa.

NGK, of Nagoya, has been marketing plugs in South Africa for 30 years, first through a representative and then through its own liaison office.

NGK officials in Johannesburg welcomed the agreement with SISA because it would wipe out pressure off production at the NGK factory in Japan.

Mr Alastair Dalgleish, chief executive of SISA, said the signing of the agreement was in line with SISA's policy of supporting the automotive local content programme.

The agreement would save more than R100,000 a year in foreign exchange, and had the potential to earn R1,500,000 in exports once markets emerged in Southern Africa.

Full production of eleven types of NGK plugs is scheduled to start in early 1983 with an initial output target of up to six million units a year.

The agreement involved the commitment to assemble the plugs in Southern Africa, and the allocation of export credits to cover the export of the finished product.

It was expected to create 20 jobs, with an additional 100 jobs in the longer term.

The agreement was signed in the presence of the President of South Africa, Dr. F. W. de Klerk, and the Prime Minister of Japan, Mr. Nakasone.

The agreement was seen as a significant step in the development of industrial relations between South Africa and Japan.

Such developments are likely to have an impact on the domestic market, as companies will have to adapt their strategies to meet the increased competition.

In the longer term, it is expected that the increased supply of spark plugs will lead to a decrease in prices, benefiting consumers and promoting economic growth.

The agreement is a testament to the growing cooperation between South Africa and Japan, and it is hoped that it will open the door to further collaborations in the future.
A letter dropped by a farmer concerned over the gold mine workers, who are not attaining the quota set by the Government. The farmer points out that the workers have not been given their fair share of the profits.

The overall picture of mining and agriculture is complicated by constant changes in government policies and economic conditions. The traditional system of land tenure and farming methods is being challenged by new developments.

In the eastern province, farmers are faced with the challenge of adapting to modern agricultural techniques. The government has introduced new policies to support small-scale farmers, but progress is slow.

The letter ends with a plea for understanding and cooperation between the different sectors.
Steel mill output rises

South African steel mills' output for the first two months of the year showed an increase of 5.6% over the same period last year.

The output of steel and cast iron in South Africa, for the first two months of the year, was 1,148,875 tons, while it was 1,093,275 tons in the same period last year.

The output of pig iron for January and February this year was 699,200 tons, representing an increase of 5.6% over the same period last year, from 1,169,700 tons to 1,156,400 tons. The February 2019 output was 706,700 tons.

The ferro alloy manufacturing industry reported an improvement of 13.8% in the two months output for 2020, compared with the same period last year, from 2,145,700 to 2,376,000 tons. The February 2019 output was 1,471,200 tons.

Private sector foundry output for the first two months of the year showed an improvement of 19.0% for steel castings — 29,970 tons in January and 34,980 tons in February 2020, compared with 24,870 tons and 21,860 tons in the same period last year — and a gain of 17.7% for iron castings — 37,280 tons to 43,380 tons and 38,070 tons to 43,090 tons.

Confirming the steady month-by-month rise in output for non-ferrous castings during 2019, this sub-sector of the foundry industry reported a
The chairman of the council, Mr. van der Walt, yesterday said he doubted if the council will function without the five unions. He said the council would have to continue.

The two vice-chairmen of the council, Mr. Schoeman and Mr. Bosman, and the secretary, Mr. N. F. Theron, represent members of the unions that have pulled out.

The five unions are the Engineering and Allied Workers Union, the Metal and Allied Workers Union, the National Union of Motor Assembly, Rubber and Allied Workers, the United Automobile, Rubber and Allied Workers Union and the Western Province Motor Assembly Workers Union.

STATEMENT

The co-ordinating council, with eleven registered and unregistered unions, was formed in 1935.

In a statement issued yesterday, the five unions said: "It has now been decided that it will be more profitable for us to use the considerable time and energy involved to build up our unions and to strengthen the structures and cooperation linking our five unions.

"We wish to emphasize that by ceasing to participate in the council we do not wish to stop our contract or cooperation with other IMF affiliates in South Africa.

"On the contrary we wish to build more satisfactory cooperation with other IMF affiliates by means of more and better contact and cooperation on shopfloor problems.

"Such cooperation already exists, although to a limited extent, and we sincerely hope that unions involved will not misunderstand our withdrawal from the council."

The Fosatu unions have objected to some registered union organizing "parallel" unions in competition to them, and the decision of some registered unions that blacks be kept out of apprenticeship until they also do military service.

Last week, the assistant general secretary of the IMF, Dr. Werner Thurso, tried to make peace between the two factions. Fosatu unions boycotted the meeting in Johannesburg and had a separate meeting with him in Port Elizabeth."
The feelings among the members of the metal unions about the question of across the board and across the colour line — unionisation, run high. Labour Reporter ST Even FRIEDMAN reports on the struggle for a standpoint.

The struggle for recognition and the fight over the colour line has hit the metal industry hard. The dispute is not only a battle between black and white workers, but also a struggle for recognition among union leaders. The problem is complicated by the fact that the metal industry is highly skilled and the skills are often considered to be racially exclusive.

The metal unions, representing both black and white workers, are facing a challenge to their legitimacy. The metal industry is a key sector in the South African economy, and the unions have a significant role to play in its development. However, the struggle for recognition is not only about the rights of workers, but also about the power of employers to define the boundaries of work and the interpretation of skills.

The dispute is not only about the colour line, but also about the system which, unionists believe, has been created to weaken unions. They argue that they are confronted with an attempt to ease out representative black unions and replace them with “token” rivals.

The black unions believe that the whites are prepared to do the same to them, but they have different goals. The black unions want to become skilled, not just to compete with their white counterparts, but to secure their own recognition.

The dispute is not just about the colour line, but also about the power of employers. The black unions are fighting for recognition, but they are also fighting for the right to be heard. The dispute is not just about the colour line, but also about the future of the metal industry in South Africa.
This has inevitably given rise to accusations that these unions aren't prepared to co-operate across the colour line and are seeking "politicisation.

Mr Ben Nicholson, the CMBU's director, argues that "If we disagree, let's attempt to persuade each other. We need an exchange of views, not a boycott."

But the predominantly black union insist that their position has been misunderstood. They want more co-operation, not less, they argue.

But what they want, insists a Fosatu metal unionist, is co-operation on the factory floor. At grass roots level they want union shop stewards to co-operate on common problems, to support each other in approaches to management, to work together from the bottom up.

This happens at present, but only with the Boilermakers and, to some extent, Mr Neethling's Amalgamated Engineering Union. The others either refuse co-operation or lay down their own terms, the Fosatu unionists claim.

Essentially, the Fosatu unionists claim that most of the CMBU group are prepared to sit around a table with black unions, but not to work together with them. They want practical co-operation, not cosy chat, they say.

"The council was premature. It assumed we were co-operating, but we weren't." says a Fosatu man.

And Fosatu unionists insist that they will seek greater shopfloor unity. If that succeeds, a rejuvenated Council becomes a possibility, they argue.

Some CMBU unionists believe that the Council should continue to operate. "We have the majority of members. Just because they walk out doesn't mean the Council should fail to function," says Mr Neethling.

Mr Nicholson adds that "We could always draw our own black union in and continue." But he concedes "there is little point in carrying on without the Fosatu group."

Mr Ike van der Watt, Council chairman and general secretary of the Boilermakers, accepts that it has ceased to function and hopes to mediate.

He is confident that he can reconcile the parties, particularly now that they are not scoring debating points off each other at meetings.

But a reconciliation may be that. The dispute has bared deep conflicts between (largely) black and (largely) non-black union groups.

The Eveready dispute is seen by Fosatu unionists as evidence that "whites are not prepared to support independent black worker action."

The apprenticeship issue is vital. While non-blacks fear for their future as they see protection eroding, blacks demand full skilled worker status.

The "parallel" union dispute is seen as an attempt by whites...
UNION STEEL

Case hardened

Manufacturer of mild and special steels, aluminium conductors and cables, Veldmasteo, a wholly-owned subsidiary, makes parts for farm implements. The turnover has been effective in the past year, while Amv has a 13% stake.

Chairman: Dr. M. D. Matusov, deputy chairman: Professor J. H. Samuels, managing director: J. C. de Wael.

Capital structure: 28m ordinary shares of 50c: 125,000 A preferences of R2 and 125,000 B preferences of R1. Market capitalisation: R21m.

Financial year to December 31, 1979.

Borrowers long- and medium-term, R10.0m, net short-term, R10.3m, Debts due: net 4.5% Current ratio 2.3: Net cash flow R10.3m Capital commitments R11m.

Share market: Price: 167c (1979-90)

High 1979 low: 44 trading volume

First quarter: 1m shares. Veldmasteo: an earnings: 7% on dividend.

Came 16c 1979: 12c 1978.

Since the 1977 slump, Union Steel has recovered strongly. After an annual compounded profit growth of 27% over the last year, the company has been able to continue its upward trend in production and sales, with a rebound in the company's fortunes.

The sharp rise in 1979 earnings stemmed largely from the steel division, which is the main source of revenue. The division's earnings increased by 30% over the previous year, with a major contribution from the increase in steel prices.

The company has also benefited from increased demand, which has led to higher production levels and a reduction in inventories. This has resulted in a decrease in costs, which has contributed to the overall increase in profit.

The company's financial position remains strong, with cash flow and capital commitments in line with the requirements of the business. The company is well-positioned to continue its growth in the future, with a strong focus on expanding its operations and improving its efficiency.

The company has also made significant investments in research and development, which has helped to improve the quality of its products and maintain a competitive edge in the market. The company is committed to maintaining high standards of safety and environmental protection, which are essential in the steel industry.

The company's management team is dedicated to sustainable growth and has a strong focus on corporate social responsibility. The company is committed to contributing to the development of the local community and has implemented a number of initiatives to support education, skills development, and health initiatives.

The company's shares are listed on the Johannesburg Stock Exchange, and the company is committed to maintaining a strong capital base and ensuring the long-term success of the business.

The company has a strong track record of financial performance and is well-positioned to continue its growth in the future, with a strong focus on expanding its operations and improving its efficiency.
division. The directors say sales from the copper division contributed about 57% of the rise in group turnover. And with the high cost of fuel and the rising emphasis on electrical power, increased demand is expected in 1980. But aluminum conductor prices were extremely competitive, with a larger loss in this division during 1979. For 1980, Usco has budgeted for lower despatches and higher prices, and as there will be no recurrence of last year's relocation costs, a profit is anticipated.

A smaller loss was sustained in the agricultural division in 1979 because of increased production and despatches. Two price increases are planned this year to meet the higher costs, which should further reduce losses. Though the cable division incurred a small loss in 1980, largely because of relocation expenses, profits are anticipated in 1980 in line with better market prospects.

The improvement in Usco's profitability last year pulled the group's balance sheet into sounder shape. Though stockholdings increased 19.6% to R22.2m (R35.3m) and debtors 40.6% to R21.5m (R15.5m), group borrowings fell to R32.3m (R36.7m) with more favourable interest rates, as lending sources were altered to take advantage of better rates. The increase in stocks and debtors reflects the higher prices of steel and buoyant sales.

Since September, the share price has more than doubled to 107c (50c) for an historic 7.5% yield. In view of the past record and conservative dividend cover, there may be little upside potential in the near future, despite better earnings forecasts.

Des Reidela

DARLING & HODGSON
IMF dealing slack after JSE debut

By ELIZABETH ROUSE

IMF GROUP, the industrial fastener company which emerged from the reverse take-over of the Sand Consolidated property company, made a lethargic debut in the engineering sector of the JSE this week. After 41,200 shares changed hands on Monday and Tuesday at a price range of between 110c and 115c, activity slumped, although the price held up at 115c.

IMF’s prospects look good and potential dividend yield is about 10%, which is better than National Bolts 6.3%, but the market appears to be hesitant about the share.

IMF forecasts a taxed profit of R1 300 000 for the year to June 1979, or 21.4c a share. Calculated on 5-million shares in issue over a full year, a 5c dividend will be paid for the six months to June.

Policy is to keep the dividend twice covered. Output is being increased by 20% to meet expected increased demand for fasteners and the dividend for 1980 could well be 15c.

The transmuted listing statement shows that the IMF Group, including its two subsidiaries Indfast and Diabros, made a taxed profit of R776 000 in the year to June 1979 and R726 000 in the six months to December 1979.

The group went through three lean years, but in 1978 taxed profit leapt to R577 000, according to adjusted figures, from 1977’s R369 000.
Reur FRAIZ ALBRECHT
Hv en sy bestuurspan is deelnemers aan 'n sake-spel nonce wéldê, as wéldê die spel van rigting verander, moet hulle besluite noem en alom het die groep wortel hulle behoort, 'n kanspoging vir dié onwennige besluiteneemers.


Op 30 jaar was by bestuurende direkteur van Philips se belange en in Suid-Afrika, waar die groep lang is en alom het die groep wortel hulle behoort, 'n kanspoging vir dié onwennige besluiteneemers.

In dié nege jaar het by die Philips se hoofkantoor in Eindhoven was, dat by van Ethiopië, en die tevredenheid dat by na Suid-Afrika verplas is, was by van die drupbestuurder van Tropense Afrika Daarna het by hom die afdeling vir die ontwikkeling aangesluit.

Hier was by die belang, maklik omdat sy vertrek na Suid-Afrika afkantoor- en bestuurpartij van die ree-grap, en effektief in beheer van alle bestuurssleeping en ontwikkeling.

Nà sy jare ondervinding huldig mnr. Timmer 'n praktiese neemak van beheer. "Boekeheem moet aangevul word deur 'n vermoë om onafhanklik besluite te kan neem. In die geval van 'n kantoor is daar 'n handboek wat geraadpleeg kan word," sê hy.

Mnr. Timmer so vergevingsgeef van die salamak as 'n sportspeler het nuut bekeken vir hom gekry sedert hy in Suid-Afrika. Die sportsgang, het hom gebly dat hy hier aangelaag het en alom het die groep wortel hulle behoort, 'n kanspoging vir dié onwennige besluiteneemers.

Mnr. Timmer "die verandering in 'n manier om die bedryf te bedryf met die bedryf se terreine om wees nie. Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as besluitenders moet ons nou wie op die deskunde besluiteneemers om die bedryf se terreine om wees nie. Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as besluitenders moet ons nou wie op die deskunde besluiteneemers om die bedryf se terreine om wees nie. Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as besluitenders moet ons nou wie op die deskunde besluiteneemers om die bedryf se terreine om wees nie. Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as besluitenders moet ons nou wie op die deskunde besluiteneemers om die bedryf se terreine om wees nie. Dit is belangrik om 'n algemene gesprek oor die bedryf te kan voer, maar as besluitenders moet ons nou wie op die deskunde besluiteneemers om die bedryf se terreine om wees nie. 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MANUF. - IRON, STEEL, ENGINEERING METALLURGICAL INDUSTRIES

2 - 31 August 1980
4 April 1980
BARLOWS is planning to invest more than R5-million in expanding its domestic goods division, says John Turner, Barlows Appliance director.

In a move to meet the current increase in consumer demand, Barlows Appliance and Television Company has built a R400,000 new enamelling facility at its Johannesburg factory, which will enable Barlows to treble its present production — particularly of stoves and washing machines.

"The white goods market will increase by 25% a year in real terms until the end of next year," believes Mr Turner.

"The only factor which could possibly inhibit the expansion of the local white goods manufacturing industry, is the continued increase of imported refrigerators and washing machines, primarily from Italy and Japan."

The main reasons for increased importation of all consumer products are the scrapping of import surcharges, the Rand exchange rate's improvement and the Reserve Bank discounts available for foreign exchange purchases.

The expected 35% growth rate over the next two years could generate 2,000 new jobs, mostly for blacks, in the local manufacturing industry, believes Mr Turner.

But to what extent these new jobs will be created will depend on the degree to which imported goods swamp the local consumer market.

Gearing itself for stiffer competition in the future, the Barlow Appliance division intends to improve its technology, step up its products' quality and lower manufacturing costs.

"But objectives for protecting existing jobs and creating new ones can only be met if the Government imposes a realistic balance between imported and locally manufactured goods," warns Mr Turner.

It looks as if the threat of competition from imports will smarten up local manufacturers — a welcome but also worrisome step at any time.
Afrox details spending

By Jean Moon

Afrox is to spend about R49m on capital projects in the next two years. Some R22m will be spent by the September year end and a further R27m in 1981. This year, nearly R13m will be spent on the gases side of the business with the installation of new gas producing plant, storage facilities, and cylinders. In June it will commission a 120 ton a day producing plant which will substantially increase Afrox’s daily volumes for oxygen, nitrogen and argon.

Production facilities in both welding and engineering will be increased and the expenditure in these two business areas will amount to some R4.5m. The MIG (metal inert gas) wire plant has recently come on stream at Afrox’s electrode factory in Burs.

General expenditure for computer equipment new buildings and vehicles, will amount to about R4.5m.

In the half year to March, Afrox increased its turnover by 23 percent to R83.5m which produced a 47.5 percent rise in after tax profits to R7.5m.

On a 7.86 percent rise in earnings to 3c a share, the interim dividend has been lifted by 3c to 12c a share. Although taxation was 15 percent higher at R4.5m, the tax rate was reduced from 43.8 percent to 37.5 percent thanks to allowances for capital expenditure.

Chairman and group managing director Mr. W. H. Sutherland said that he expects an improvement in trading conditions and that the growth pattern, presently being experienced should be maintained for the rest of the year.
Workers win union battle with big firm

By STEVEN FRIEDMAN
Labour Reporter

BLACK workers in Natal have won a Supreme Court order instructing a major multinational company to establish a works committee for its black workers.

A recent judgement in the Supreme Court by the Natal Judge-President, Mr Justice N James, gave the company 10 days to establish the committee. The deadline expires this week.

The court action is the latest development in one of the longest and most bitter union recognition disputes in recent South African industrial history.

The Metal and Allied Workers Union has been demanding recognition from Glider Bearings since 1970.

Glider is a Pretoria-based subsidiary of the British-owned multinational Associated Engineering (Mave). It is a predominantly black union affiliated to the Congress of South African Trade Unions.

Mawu sees the court order as a "breakthrough" which will compel management to deal with elected worker representatives.

The dispute has been deadlocked since Glider set up a multi-ethnic bargaining committee in its plant. According to Mawu's general secretary, Miss Jemamile Ndelo, this committee "is a device to block the union."

The multi-ethnic committee also superseded a black union committee which had operated in the plant and which, the union says, was dominated by union representatives.

Athough Glider has dealt with the new multi-ethnic committee rather than the union, black workers represented by the latter have boycotted it and it is "now defunct as far as black workers are concerned", Miss Ndelo said.

In an attempt to break the deadlock, black workers of Glider asked the Natal Supreme Court to order the company to establish a works committee. These committees, they argued, are enshrined in terms of present South African labour law and employers are compelled to establish them if a majority of workers want them and there is no known union committee in the plant.

Mawu expects the multi-ethnic bargaining committee to invite the union to negotiate a new agreement with the multi-ethnic committee to arrive at a formal agreement with union members at the plant.

In his judgement, Mr Justice James found "virtually unchallenged evidence" that the majority of Glider's black workers wanted the establishment of a works committee.

He also found there was no other committee at the plant which carried out the functions of an in-plant bargaining committee as envisaged in legislation.

The company was therefore ordered to take the necessary legal steps to arrange for the election of a works committee.

It was also ordered to pay the costs of the action.
**Lack of facilities hits ship repairers**

Own Correspondent  

DURBAN — South Africa loses millions of rands in foreign revenue annually because Durban’s four major ship repair yards are compelled to reject contracts for the lack of adequate dry docking facilities, says Mr Rys Steytler, ship repair manager of James Brown and Hamer.

He was speaking this week while final preparations were under way to refloat the Danish reefer vessel, Pep Ice, which underwent extensive repairs to her bottom and rudder in Durban’s floating dock.

The repair contract, which is rumoured to have been about R17 m, required an estimated 260 tons of steel and took 42 days to complete — six days less than originally planned and 50 tons more steel than had originally been thought necessary.

**UNCERTAINTY**

Durban nearly lost that contract because of uncertainty as to whether the dry dock could be occupied for the required period.

James Brown and Hamer is believed to have been the only tenderer to have considered using the floating dock, and they won the contract.

At that time it was planned to repair as much of the hull as possible, and then refloat the Pep Ice for two weeks while the floating dock was used for other scheduled repairs and then return her to the dock.

Efforts by the port authorities, however, allowed the Pep Ice to remain in dock and return to the water on Tuesday, five days ahead of schedule.

and demand,” Mr Steytler says.

A few months before the Pep Ice ran aground on a reef in the Mozambique Channel, JB and H had to turn down a repair contract requiring 500 tons of steel for the same reason.

“We thought of taking that ship to East London, but that would have put about 15 percent on to the contract price,” Mr Steytler said.

“You can talk to any of the repair yards and they’ll tell you similar stories,” he added.

The repair work done on the 4,300-ton deadweight Pep Ice is a typical example of the kind of work South African shipyards can do.

**EARNINGS**

“It is now obvious that we have the know-how and expertise to undertake this type of work — utilising 100 percent local content — and it is about time the ship repair industry was given more recognition.”

“If they want us to continue to be involved in the bigger type of repairs, we must be given more facilities. There is no limit to how far we can expand, because prices in South Africa at the moment are very competitive,” he said.

The Salvage Association rates South Africa in the lower price category for ship-building internationally, though most of the auxiliary and specialised machinery still has to be imported.

“It’s not the port cause fault. Unfortunately the port office is more or less compelled to put a restricted time on the period a vessel can be accommodated in dock because of the pressure...
Man of steel

Jan de Waal, MD of United Steel Corporation (Usco), blends well in with his environment — Vereeniging. There's a relaxed feel to his approach and he's certainly one successful entrepreneur who'll never be plagued by ulcers.

He was asked to run Usco in 1976 because the company was in grave difficulties and headed for a R23m loss. By the end of the year the company had made a profit, although a small one.

"The board decided on Friday and I moved across on Monday. It's the only weekend I spent unemployed and I really enjoyed it," says De Waal with his characteristically simple and spontaneous humour.

Is he a man with a magic mind or did the company pick up of its own accord? "Usco suffered from over-spending that wasn't justified in many cases. They had also set up a large computing system, but they didn't know what they were doing. It took me no time at all to discover which areas were operating at hopeless losses and then to correct them."

Although his criticisms of the company are harsh, there's an unmistakable compassion for the people he works with. "Usco's one of the oldest steel firms. We've got many experienced people and a tremendous amount of loyalty. This definitely helped us to come out on the right side."

This year Usco was listed in the F'M's Top Hundred Companies report, running second to Utco in the profits parade, with an impressive increase of 220%.

But De Waal knows that statistics can be misleading. "It's not really a true reflection. A long-term average of annual profits would have provided a more honest figure."

His theory is that the alloy industry operates in four year cycles of prosperity and slumps. "It's psychological. We talk ourselves into slumps because SA doesn't operate independently. We follow the overseas downs one year later."

Although Usco last year recorded profits of R9.6m, compared to R3.6m in 1978, De Waal refuses to become too excited. In fact, for the steel industry, his prognosis is downright depressing.

"The steel industry has been in a very depressed state overseas. This trend will follow here and I think we're headed for a low."

And, he says, while the last three years have been successful — the industry is due for its downward cycle.

De Waal views his profession almost as an art — quite in contrast to the highly scientific nature of the work he's involved in. He "works with his hands" during his spare time as a carpenter and also "creating" metal work.

He's also imaginative about future developments and diversifications within Usco and is a mine of information on where the company, and the industry, "should be heading."

With unquestioned trust he confides all but requests that it remain "off the record."

He certainly didn't learn the alloy game as the son of a headmaster in the little Karoo town of Vosburg. It was at Stellenbosch as a geology student and then his years in the Belgian Congo and "Northern Rhodesia" that switched him on to something that fascinated him since.

"In Kitwe we were asked to set up an efficiency department to reduce production costs of copper. It was the most outstanding period of my life and opened a number of new doors for me."

Doesn't he regret not following his geology interests? "I wouldn't change my life for anything. The only problem is that it's much too short."
GEC, Siemens get Soweto project

Two of South Africa's biggest electrical groups, GEC South Africa and Siemens, have received letters of appointment from the Dipnormawo, Dobonville and Sandon councils for the R160m Greater Soweto electrification project.

This announcement comes in the wake of the statement in Parliament, by the Minister of Co-operation and Development, P.C. Kooiman, that his department will proceed with the R160m Greater Soweto electrification programme.

The contract is to be handled by Teslacon, a consortium formed on a 50:50 basis by GEC Power Distribution, a GEC SA company, and Siemens.

A spokesman for Teslacon (Township Electrification South Africa Consortium) said work on the project was to start immediately. The contract called for the supply and installation of the 11000 volt and low voltage networks for Dipnormawo, Dobonville and Sandon.

He said job opportunities for several thousand black workers would be created by the project, and on-the-job training would be undertaken locally. All the products and services to be supplied would be close to 100% South African.

Both partners in the consortium have already executed projects in Soweto. GEC Power Distribution has supplied about 50 mini substations and Siemens has installed five containerised telephone exchanges.

GEC Power Distribution, through its Power Projects Division, and Siemens, were the only companies to tender on all the enquireys issued for the project.

"Because the programme will have such far-reaching effects on the quality of life for the residents of Greater Soweto, the consortium intends tackling the contract with the utmost sense of urgency," the spokesman said.

"With the completion of the contract many of the black trained while in the employ of the consortium will become available for employment by the electricity undertakings in the area to create the infrastructure that will be necessary for the maintenance of the electrical network," he said.
SHIPIYARDS

Docks drying up

Changing patterns in the shipping industry are making Durban's shipyards less profitable. Despite marginal levels of activity at present, the feeling is that the shipyards are returning to the business for reasons of strategy rather than commercial reasons.

James Brown and Hamer (BBH), the Anglo-Australian subsidiary, with every prospect of being sold to Elgyn Projects, has given up shipbuilding and is concentrating on repair work and general engineering. Sindocks Austral, with its defence links in a closed book, and Dorbyl, although busy, is anxiously seeking orders to maintain continuity when its current building programme ends.

This includes a fisheries research vessel which will be launched towards the end of the year and handed over in September or October 1981, and four tugs for the Railways one of which has already been delivered. All that Dorbyl's regional manager Dick Brass will say is that the tugs are ahead of schedule and we have met our budget - which is not the same as saying they are being built at a profit.

Dorbyl is also quoting on oil rigs and is actively looking at the market.

On the repair side, BBH is enjoying a large weldall contract worth about R1m to repair the trawler Pep Ice which ran aground off the East African coast and is well ahead of schedule - according to ship repair manager Thys Steytler.

Such contracts come rarely, however, and the bread and butter work has provided sparse fare during these last four years of recession in world shipping.

“Surveys and refits which used to be done annually are now spaced further and further apart and now sometimes occur only every 18 months to two years to save costs,” says Steytler.

Dick Jenkins, ship repair manager at Dorbyl, believes “the whole trade has changed. Tramp steamers are giving way to modern vessel, and containerization has meant fewer ships, new fleets and shorter turnaround times,” none of which has been good for the repair industry. “One container ship has replaced about four old-style tramps,” he says.

Steytler contends that although SA repair costs are in the lower category worldwide “there’s no doubt about it that work is being lost to the country on account of politics.” A case in point was the Kulu, representing R2m worth of work which was held in Nigeria on its way to SA yards, he adds.

He further contends that Arab states such as Kuwait, where large dry-docks are under construction, will probably use their oil as a lever to force customers to use the docks on a “no repair-work, no oil” basis.

Jenkins is, however, somewhat sceptical on the use of political pressures. “Fuel costs are so high today,” he maintains, “that no ship is going to be sent any distance in ballast merely to go to a slightly cheaper repair yard or for non-economic reasons.”

Local facilities are not all they might be, and repairmen complain that there are only two lay-by repair berths in Durban, which often means a lot of time and cost consuming movement within the harbour and moreover, use of the dry-dock - far from the world’s biggest - is restricted to four days.

Brass believes that there is not the space in Durban for extended repair berths and that Richards Bay may well become the repair port of the future. After all, the bulk trade is a dominant force in shipping today and Richards Bay handles most of this traffic.
STEEL

Spoiling for scrap

Two more SA steelmakers, Iscor and USco are contemplating sponge iron production as potential shortages of scrap metal put the squeeze on raw material supplies.

Scrap currently accounts for 22% of Iscor steel production, all of USco's, and 63% of Scaw Metal's.

Increased demand for steel and greater capacity utilisation within SA’s steel industry has led to speculation that scrap iron resources (Ferrons Scrap Dealers buys and sells some 1.25 Mt a year at present) could soon be insufficient to meet manufacturing requirements.

Steel giant Iscor for one which produces a third of its Vanderbijlpark works output from scrap in three electric arc furnaces (about 120 000 t of liquid steel a month) is concerned. GM designate Dr. Kotze believes that by 1984 there won't be enough scrap to go round. “We want to increase capacity to ensure that our furnaces are fully utilised, but scrap is the problem.”

Iscor officials will be travelling abroad to examine direct reduction processes for sponge iron, and, according to Kotze, if their findings are favourable, this could result in the installation of plant worth about R120m. “We envisage that it could come on stream in about 1985,” he says.

At present Dünswardt Iron & Steel is the only sponge producer, and according to MD Ken Brightman, tenders for a second sponge iron kiln, worth about R20m, have been called for to boost capacity from 120 000 t to 300 000 t a year. Total annual liquid steel capacity will then be raised to 120 000 t to 360 000 t.

The other producer investigating sponge iron possibilities is Union Steel (USco), which at 270 000 t a year, ranks fourth biggest among the independent steel producers. MD Jan de Waal estimates that by 1981 there will be a 400 000 t shortage of scrap and it imports, at R140/t to be relied on, it would be far cheaper to use sponge iron. USco is therefore investigating the production of sponge iron.

How serious is the potential shortfall in scrap requirements? Ferrons Scrap Dealers (FSD) GM Peter van Andel puts it thus. In the past 18 months all steel producers and foundries have been taking up their full quotas as well as any available excess. It is not that there is a shortage, it is just that all available resources are now being taken up.

The FSD buys up and sells about 1.25 Mt annually, and Van Andel reckons that there will be no problem maintaining a 5% growth rate. “The perceived shortage, he says, has come about because steelmakers didn't take up their full quotas during leaner times and there was always enough scrap.

Present prices of scrap vary, but the average hovers around R60/t with a high of R80/t for good grades. The FSD reviews prices at the time of the mid-year steel price increase, and generally raises its price “in the same order”, which will probably be about 12%.

Van Andel: all available resources are being taken up

Current estimates are that sponge iron production costs run at about R30/t, so as scrap becomes costlier, sponge iron manufacture will become even more attractive alternative. The industry also believes that present scrap prices are artificially low, and are due to be boosted to their true market value, sponge iron will assume greater importance.

Another factor in sponge's favour is that in one instance, gas is used as the reduction agent (either coal or natural) and in the other, coal is used as a solid reducing agent. Whereas SA has vast resources of high grade coking coal used in blast furnaces at a premium, so a swing to sponge iron production for basic raw material input would have an added benefit.

Scrap iron... not enough to go round

Financial Mail May 9 1980
By ELIZABETH ROUSE

STEWARTS & Lloyds has declared a maiden interim dividend of 10c on earnings of 24.4c a share — up 48% on last year's interim earnings of 16.4c a share.

The heavy engineering group has hitherto paid an annual dividend, which last year amounted to 22c.

The board's decision to pay an interim is based on the cash flow benefits derived from the introduction of Lifo accounting last year. Improved liquidity means that the interim payment can be accommodated in the seasonal cash flow, say the directors.

Although Lifo gives a more realistic picture of Stewart's & Lloyds financial health in inflationary times, it obscures the sharp leap in group activities.

Pre-tax profit before Lifo adjustment for the year to last March has jumped by 81% to R12 252 000 from the previous comparable half-year's R6 785 000 on a 23% rise in turnover to R137 980 000 from R138 785 000.

The Lifo adjustment of R2 819 000 has reduced taxable profit to R6 002 000. This shows a 48% improvement on last year's interim taxed profit of R4 599 000.

Results for the past half-year exclude the contribution made by the trading activities of H Incledon & Company (SA), which was sold in October 1979. The sale had some effect on turnover, but earnings were boosted by R400 000 made on the sale of Incledon-owned properties.

The group ran into a higher tax rate of 35% compared with 28% and 18% in the previous two years.

But capital spending is increasing again. The foundry modernisation programme will take most of the R30 951 000 committed for capital spending (1979 capital expenditure was R9 799 000).

Since the year-end, additional capital expenditure of R2 million has been authorised for Baldwins, which is putting up the first steel sheet service centre in Natal.

Stewarts & Lloyds usually does better in the second half of the year and the chairman, Mr H C Kuper, expects that the seasonal improvement will prevail. Sales and profits should advance in line with overall economic growth.

It is difficult to predict year-end results, but the group is in trimmer shape to cope with increased business (costs are under control) and it should easily improve on first-half earnings of 24.4c.

However, a decision in principle has been taken to extend Lifo to all stocks held by the group (last year Lifo was limited to steel stocks, which were about 38% of total stock) and this might affect earnings.

Dividend cover will probably be kept at a safe 2.4, and dividend expectations cannot be too optimistic.
Metcot's earnings leap 59 percent

By Jean Moon

Metcot's earnings leaped nearly 59 percent to 5.12c a share in the six months to December. The net income rose 90 percent to R4.2m and the preference share dividend absorbed R2.6m. As there was no taxation, distributable earnings rose from R2.5m in the corresponding period to R3.5m.

Metcot received a maiden dividend from Air Products of South Africa. Metcot's investment in Donkerheek was disposed of during the period. It acquired 33.7 percent of minorities in Hart for R269,154 and 1.9m Metcot shares. Hart is now a wholly-controlled subsidiary of Metcot.

It also acquired the 49.75 percent interest in Wispeco for 7.4m Metcot shares.
BEGIN: 15th of claim
Metal Works Pay Talks

The introduction of the hour wage system, which has been in effect for some years, has led to a decrease in the number of hours worked by the employees, thereby reducing the cost of production. The reduction of the number of hours worked has also led to a decrease in the cost of raw materials, thereby improving the company's profit margins. The implementation of the new wage system has been met with mixed reactions, with some workers expressing concern about the impact on their overall income. However, the majority of employees have welcomed the change, citing increased job satisfaction and a better work-life balance. The company's management has also acknowledged the positive impact of the new system, highlighting increased productivity and employee morale as key benefits. Overall, the introduction of the hour wage system has been a significant milestone for the company, marking a new chapter in its history.
Guidelines for steel workers may be eased

By STEVEN FRIEDMAN
Labour Reporter

DEMANDS by registered trade unions for changes in controversial black labour guidelines formulated by the Steel and Engineering Industries Federation (Seifisa) will be discussed at two-day negotiations starting in Johannesburg today.

The Rand Daily Mail understands that Seifisa will agree to changes in the guidelines, which have been attacked bitterly by unionists.

The guidelines will be discussed at a meeting of the industry's council of representatives, which are to meet to discuss the agreement which lays down minimum wages and work conditions.

The agreement, which affects about 362,000 workers, is renegotiated annually.

Wage demands by the unions will also be a key point in the talks, which will be attended by about 200 delegates, including black union committee members.

The Seifisa guidelines were slammed by unionists as an attempt to forestall black militancy. They advise employers not to allow unions to have access to their factories and not to deal with them unless they are members of the industry's industrial council.

It is learned that Seifisa will agree to some changes in the guidelines. In particular, one which will make it easier for unions with black members to have union dues deducted for them by employers.

The wage talks are expected, by employers and unions, to be less controversial than for some years.

Registered unions, represented by the Confederation of Metal and Building Unions, have put in demands calling for a 29% increase in minimum wages.

Employers have not yet responded formally to these demands, but were meeting yesterday to discuss a counter-offer, according to Seifisa's director, Dr Errol Drummond.

A prominent CMBU unionist, Mr Willem van der Watt, said yesterday that he expected the negotiations to be completed within the two days in previous years, deadlocks between employers and unions have led to protracted negotiations.

Mr Van der Watt said, however, that unions were "a little worried" by the fact that employers had told them that a number of suggested changes to the agreement which they would raise at the meeting.

"We are not very happy about them raising issues which we have not discussed with our members," he said.

Recession, under which the economy operates...
Skills training for metal workers

By Selc Haenic

More skilled workers are to be trained for the metal and engineering industries. This undertaking follows the 14 percent pay boost announced for workers in the industry.

Over a year, the pay increases for skilled workers who are in short supply will be considerable, higher than the 14 percent affecting all of the 300,000 workers in these industries, a trade union source admitted.

But this threat of inflation is hoped to be offset by the creation of a training board for the industries, said Dr. Eriel Drummond, director of the Metal and Engineering Industries Federation.

He said the board, Dominated by employers and trade unions, would coordinate the various existing training schemes.

It would set targets to overcome skills shortages through revised training methods planning and monitoring of the manpower position.

Dr. Drummond described the 14 percent rise as realistic in the light of the present economic circumstances.

But Mr. Ben Nicholson, director of the Confederation of Metal and Engineering Unions, said: "We are only covering what we have lost in the past year. It is not the workers who are responsible for inflation.

The increase, effective from July 1, will raise the wages of the lowest-paid workers by 14 cents an hour to 94 cents an hour.

Artisans will get a 35 cent an hour rise which will put their minimum wage on R3.14 an hour.

Those artisans earning more than the minimum will also get an increase of at least 35 cents an hour since the 14 percent increase in every category's minimum wage will be paid across the board to all.

The holiday bonus is also being increased by 14 percent.

Allowances for workers employed away from home are being raised by 14 percent. And employer and employee contributions to the pension fund will increase by one percent.
As a result, our national income will increase by \( \frac{1}{25} \) million. This will equal \( X \) million. Now we have increased our national income by \( X \) million, OK.

If the govt. decreases part of that, then that part of the national income will decrease. The decrease will be equal to the amount of money decreased.

But the alternative is to increase G and T both by \( \frac{X}{2} \) million. We assume that 75% of the increase in G and T would have been spent anyway. Then the equivalent amount of injection will only be equivalent to \( \frac{X}{2} \) million, which is the amount of G that could have been saved. If our multiplier is 2 then the increase in income will be \( 2 \times \frac{X}{2} \) million. This will result in a balanced budget as long as we have kept our budget balanced but the increase in income will be less. If the balanced budget multiplier is greater than one then the increase in income will be greater than the injection increased spending. If it is equal to or less than one then it will be no expansion of income and if less than one then the decrease in income will be less than the added expenditure.

It must be noted that the greater the NIT is, the more it increases income, and the less it decreases income.
Seifsa deal stops at union dues

By STEVEN FRIEDMAN
Labour Reporter

In a statement which is certain to disappoint unregistered black unions, the director of the Steel and Engineering Industries Federation (Seifsa), Dr Erroi Drummond, yesterday denied claims that changes to Seifsa’s black labour guidelines would make it easier for unions with black members to negotiate with employers.

Dr Drummond stressed that the changes affected only the right of employers to deduct members’ dues on behalf of trade unions. This means that the change is more limited than was thought at first.

However, a leading metal trade unionist, Mr Ike van der Watt, said yesterday that the changes would “obviously make it easier for employers to recognize unions with black members.”

Registered metal unions had asked for a softening of the guidelines on the union dues issue because they argue that the deduction of these dues by an employer is an important source of financial stability for unions.

Unions sources told the Rand Daily Mail on Tuesday that the changes would allow individual employers to deal with black unions provided that the unions meet certain conditions.

These were that the union would have to have applied for Government registration, that its constitution had been approved by the Industrial Registrar and that its registration application had been published in the Government Gazette.

Dr Drummond confirmed yesterday that these conditions would apply. But he added that union compliance with them would merely enable an employer to deduct membership dues on the union’s behalf.

Another condition would also apply, Dr Drummond said. The union concerned would have to undertake, if not by joining the industry’s industrial council once it had gained registration.

He added that this stipulation would only apply for the next six months and that employers would not be permitted to deduct union dues for foreign black workers.

If a union had not gained registration within six months “through no fault of its own,” the industry’s industrial council may decide to extend the six month limit.

Besides this change “the guidelines still apply,” Dr Drummond said. He added: “We will certainly not permit unions to bargain with individual employers. All bargaining must take place through our industrial council.”

Dr Drummond’s clarification of the change will come as a shock to black unions who argue that unions must be recognized in an individual factory so they can take up grievances with individual employers.

The Seifsa guidelines do not make provision for this.

However, registered unions who are planning to organize black workers say the changes will help them to win recognition from employers.

“We don’t believe that you have to get an individual employer to formally recognize you in order to be effective,” Mr van der Watt said.

He added that “the changes will definitely assist unions in their dealings with individual employers.”
The committee is not aware of any significant change in the level of prices due to the recent rises in the steel industry. The rise in prices is expected to have little effect on the overall economy.

Our advice to the chairman is to focus on maintaining the current level of prices and to monitor the steel industry closely for any further price hikes.

We present our report on the steel industry's current status and recommend that the government take necessary steps to control price hikes.

Chairman

Steel Industry Committee
BTR South Africa has bought Laurensen Brothers (Pty) and its associated companies, Container Sales Agencies (Pty) and Anchor Safety (Pty) of Boston, Pretoria, for R1,000,000 cash.

The company's sales in the year before acquisition (February 1989) were about R5 million and net asset worth was about R1,389,000. Based on the 1989-80 performance, the contribution to earnings would have been 2,5c a share.

BTR is confident that the acquisition will achieve higher earnings this year.

Laurensen Brothers makes locking gears, fasteners, and twist locks for the container industry. It exports about 40% of this equipment. The company also makes steel door frames and components for the mining and domestic appliance industry.
Exhausting superlatives

Because of its extensive range of activities, any discussion on Barlow Rand inevitably leads to the comment that the group is a microcosm of the SA economy in a sense, however, this is just wishful thinking.

If it were true, the economy would have at least two outstanding characteristics. First, it would have a growth rate many times the 5%-6% foreseen by most economists for the current year. Second, there would be a constant improvement in the productive use to which assets are put, a factor which would substantially reduce, or even eliminate, inflation.

There is no question that the six months to end-March was an exceptional period for the group, allowing it to achieve a growth rate substantially ahead of expectations.

When the annual report was released in November, management was looking to some slow-down compared with 1979. However, the recovery in the economy has turned out to be stronger than expected, as has the gold price and, aided by new developments such as the Duvha and Rietvlei opencast collieries and the acquisition of the CG Smith group, this has led to an enhanced rate of growth in every respect. Turnover growth has accelerated from 41% in 1979 to 46%, pre-tax profits to 59% (47%), taxed profits to 77% (50%), attributable profits to 71% (54%), and earnings per share to 62% (34%). The interim dividend is up by 27% of the overall pre-tax profit increase, compared with 21% for TC Land but an even more important effect of this acquisition has been a further strengthening of the group’s balance sheet.

Unaudited accounts at March 31 show a 40% increase in total assets since September 30, largely due to Smith. And although borrowings have risen from R357m to R522m, the debt/equity ratio is now lower than ever at 40% (43%). Leaving ample scope to finance an extensive capex programme. Present estimates of expenditure total R579m, the major portion relating to expansion of the ferro-alloy/steel, cement, lime and mining divisions.

Net worth has increased from 526c to 610c a share — of interest is that if the above earnings forecast is realised, it will represent a net return on equity funds of about 28% against 22.5% in 1979, topping the existing peak of 25% established in 1975.

METKOR
Looking for more

Although Metkor will almost certainly be in a position to increase its annual dividend for the first time since 1976, it looks as if the market may have over-reached itself in running the share up from 40c to a high of 85c earlier this year. The price has drifted back to a current 72c, but even this is not particularly enticing on prospective yield considerations.

After three years of declining investment income, dividends received during the six months to end-December jumped 86c, from R2.5m to R4.6m. Unconsolidated earnings — which reflect most closely the investment income on which Metkor bases its own declarations — were 59c higher at 8,12c (3,86c) after providing for the dividend accrued on the new prefs issued at the end of August.

Unconsolidated earnings for the whole of fiscal 1979 were only 5,46c, from which an unchanged 5c annual dividend was paid.

The main reason for the improvement was the receipt of a maiden dividend from Air Products, in which Metkor acquired a 50% interest as from September 30 and a higher payment from Ipsa. The increase was inflated to some extent by the fact that the company was also able to bring to account the interim dividend paid on the 1.1m Samancor shares which it exchanged for its interest in Air Products thereby.

Barlovs. pushing out performance frontiers

Financial Mail May 16 1980
receiving in effect two dividends on the same investment. This was worth $227,000 to the company and represents just over 10% of the overall increase in dividend income.

It will obviously not receive Samanor's 70c final which would have been worth $63,000 but second-half unconsolidated earnings are nevertheless forecast to be higher than the 1st of the corresponding 1973 period.

This suggests that earnings for the full year could be about 8c, a 45.5% improvement on 1972. The catch, however, is that Metkore has been paying the same dividend on declining earnings for the past three years and it is therefore probable that any increase in the dividend will be considerably smaller than the growth in earnings.

If 6% is paid which is about all that can be expected, the prospective yield is 8.3%—hardly excessive in view of the profit history of some of the underlying assets.

In another development Metkore is making a second attempt to buy up the 2,500,000 "B" preferred shares in Wespaco—the only class of shares in this company which it does not own.

The situation has some of the characteristics of a French comedy—the offer to Wespaco earlier this year was accepted by ordinary shareholders and "A" preferred shareholders but not by holders of the "B" preferred shares. Having thrown out the proposal, it appears that some major holders then changed their minds and approached Metkore to repeat the offer. Terms are identical to the first offer (125c per share), and another meeting of these shareholders will be held at the end of the month. Hopefully Metkore has some sort of undertaking that the outcome will be more to its liking.

In conclusion it should be noted that the rising performance of the company, the dividend increase, and the excellent outlook with new projects in the pipeline will add to the company's already strong position in the market.
NATIONAL TRADING

Recovery tack

Activities: Distributes a variety of products to the engineering and building industries, and manufactures pipes, tubes and electrical transformers. A Oppenheimer, of the UK, owns 52% of the equity.

Chairman: J Levison, managing director.  L F Stern.

Capital structure: 6m ordinary of 50c, 275 000 pref of R2. Market capitalisation R17.4m.


Share market: Prices (1979-80 high, 290c, low, 165c, trading volume last quarter, 47 000 shares). Yields 17.3% on earnings, 6.9% on dividend. Cover 2.5 PE ratio 5.8.

Return on cap % 12.0 17.0 18.0 18.0
Turnover (Rm) 66.1 56.7 64.0 60.6
Pre-tax profit (Rm) 4.0 4.1 4.1 4.7
Gross margin % 72.2 69.9 6.0 6.1
Earnings (c) 13 14 18 20
Dividends (c) 13 14 18 20
Net asset value (c) 239 311 374 385

After three lean years, National Trading has staged a fairly strong recovery. But although earnings were up 24% at 55.3c a share, they are still about 8% below the 1975 peak of 57.5.

There was no material difference in performance between the two halves, and the directors comment that the current year has started well. As usual, however, they add that it is too early to predict overall results.

Financially, one of the most noteworthy developments has been a R4.9m (115%) increase in short-term borrowings. This was necessary to finance the higher level of stock and debtors which accompanied an increased level of activity.

Although stock, debtor and creditor balances all moved pretty much in line with the 37% improvement in turnover, the additional net investment in stock and debtors of R7.1m was more than three times net cash flow hence the need to resort to short-term borrowings. Despite the increase, the financial structure remains conservative with a debt equity ratio of under 50%. The group enjoys a degree of profitability - 18.5% gross on total capital employed - which is well ahead of the cost of borrowing funds, and it can therefore be expected that funding shortfalls will continue to be met by loans, rather than a more restrictive dividend policy, for the next few years at least.

At the same time, one has to accept that it is a trend which cannot continue indefinitely, and that the time must come when the group will be obliged to readdress the stock, debtor creditor equation or resort to greater profit retentions as a partial solution.

Despite the cumulative 26% earnings fall between 1975 and 1978, shareholders have not fared too badly with an increase in dividends from 13c to 16c during this period. Dividend cover consequently dropped from 4.2 in 1975 to 2.3 in 1978, and this level was maintained last year when the payout was raised to 20c. The effect of a cash flow is reflected in the fact that in 1975 the group was able to re-invest R3m, or 38% more than the R2.2m retained last year.

It may also be fair comment that if loan funds are to become an increasingly important element in financial structure, the group might do well to increase the long-term portion which, at present, accounts for only 27% of total debt, even though short-term borrowings are appropriate to the trading nature of activities.

Now that the group has started to benefit from the improved economic climate, the share could be due for re-rating. Even if dividends do not increase by more than 20% (4c a share) this year, the prospective yield is over 8% which is generous by present market standards. Limited marketability, however, is a drawback.
Steel price set to rise

By GERALD REILLY

The increase in the steel price — expected to be authorized by the Government next month — will cause a price pressure wave throughout industry.

Last July the price was raised by 12.2%. This year, because of unpredicted increases in the prices of coal, power, liquid fuel and railway rates the new rise could be higher.

To be taken into account, too, are the pay increases for Iscor's 65,000 workers which will come into effect next month.

To illustrate the steep rise in costs, an Iscor official said that to transport raw materials to Iscor works, and from one works to another, cost R26 million more this financial year than in the previous financial year.

Although the chairman of the corporation, Mr Tom Moller, expects Iscor to end the financial year next month with a R100-million surplus, this will not decrease the need for a higher steel price.

Following the 14% increase negotiated between the metal industry employers and registered trade unions, negotiations between Iscor management and the seven unions representing more than 39,000 white skilled workers will start at the end of the month.

Also involved are about 30,000 black workers.

In July last year increases for whites averaged 8%, with blacks getting more in keeping with the corporation's policy of narrowing the wage gap.

The estimated total wage and salary bill for the current financial year is R361-million.

The chairman of Union Steel Corporation and a director of Iscor, Dr M D Marais, said higher railway rates, coal, power and fuel prices had caused a steep rise in production costs, amounting to tens of millions of rands.

A higher steel price would have a multiplier effect and would increase pressure on prices over a wide field.

Dr Marais said because of the continued upward surge of costs, South Africa was losing its competitive advantage on world markets.

"We must face it — South Africa is no longer a low-cost country," he said.

The president of the Motor Industries Federation, Mr Theo Swart, said there would be no dramatic increase in the prices of cars because of a higher steel price.
EVERY CANDIDATE MUST enter in column (1) the number of each question answered (in the order in which it has been answered), leave columns (2) and (3) blank.

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Examiners’ Initials

NOTE

1. Each member of the question you are answering.

2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

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

4. Do not write in the left hand margin.

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

Sew Time (Both Times) 18/5/80

R30m for big S & L expansion

By ANDREW MCNULTY

- R30 million is being spent on enlarging the Baldwin steel factory in Durban.
- This will enable production and rapid deliveries of coiled steel in small quantities, employing technology now used only overseas.
- As well as the current R22 million capital programme, some R10 million will be needed in broadening the steel tubes range within three years. Galvanised steel items will be produced for domestic and export markets.

There are several other developments which boost earnings prospects.

A “significant market” is being developed through Salverd in diesel engines smaller than Atlantic diesel engine lines.

Pumps, valves and related producers are being geared towards what is seen as a potentially very strong market in water technology.

Production processes are being separated in the group to increase their efficiency.

Productivity and skills are considered S & L’s next big challenge and attention will be paid to information systems.

Mr. Richards says profits are tending upwards after the drop when Lifo was adopted.

Growth in turnover should at least move with the trend in the gross domestic product.

QUALING

No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed

Candidates are not to communicate with other candidates or with any person except the invigilator

No part of an answer book is to be torn out

All answer books must be handed to the commissioner or to an invigilator before leaving the examination
Dorbyl set for higher payment

Financial Reporter
DORBYL, the steel group, has reported an increase in taxed profit for the six months to March 31 — and has announced a major restructuring of the group.

The directors forecast that earnings and dividends will be up for the full year.

Taxed attributable profit for the interim period was R558 000 against R5 005 000 in the previous equivalent.

Earnings a share rose from 31.2c to 34.2c.

Pre-tax income increased from R7 961 000 to R5 768 000, but tax jumped from R2 555 000 to R3 555 000.

The directors say: "It was predicted in the 1979 annual report that the current year's earnings would improve and that an increase in the dividend would be achieved.

"Despite the difficulties being experienced by the industry as a whole with problems concerning the growing shortage of technically skilled manpower at all levels and also the short-term expectations of certain raw materials, effective management action is being taken to overcome these and the group is confidently expected to meet the above-mentioned predictions.""

On the restructuring the directors say: "Dorbyl will transfer at agreed values totaling approximately R49-million the assets and liabilities from its present operating works and divisions to the appropriate wholly owned subsidiary companies.

"The net asset value of Dorbyl's ordinary shares will be unaffected by these transactions.

"Furthermore the proposed transactions should have no material effect on the current earnings of the group, although the long-term benefits of the restructuring arrangements should manifest themselves in subsequent years' results.

"Established trade marks and product names will continue to be used by group companies where appropriate."
Has Seifsa relented?

Changes to the Street and Engineering Industries Federation (Seifsa) guidelines on union recognition this week proved a Pyrrhic victory for the unions.

Although employers have been granted the right to deduct members' dues on behalf of trade unions—a move welcomed by all union spokesmen—there is no change on Seifsa's stand on individual employer-union relationships.

This means that if Seifsa members stick to the guidelines the only contact between unions and employees will be at industrial council level. This leaves the industrial council exclusive rights to settle all disputes.

Some trade union spokesmen argue that the concessions do not make the guidelines any less "anti-unionist." Employers are still urged, as in the original guidelines, not to give unions access to their premises and to make use of management-made works and liaison committees.

The guideline amendment makes it clear that the stop-order concession does not mean that employers are to engage "in bargaining at individual plant level with developing black trade unions."

It goes on to say that the negotiating mechanism is through "collective bargaining between respective trade union and employer parties to the National Industrial Council and at that level only."

Although some union spokesmen agree that a centralised body is theoretically a plausible idea, they feel it should only deal with wage-related issues—not problems that arise on the factory floor.

But Errol Drummond, Seifsa director, argues that the answer to domestic issues is the works council system and that the industrial council is the most effective...
Although a final decision on whether or not to proceed with the mooted R50m doubling of Alcan's capacity will be made only in September, the 95 000 tons-a-year aluminium producer has committed R1bn on earthworks and advanced engineering and design work for the project.

Since the plant came on stream in 1971, it has been producing at full capacity. At that stage this was 22 000 t per increased to 72 000 t in December 1974. Present capacity installations were carried out in February 1979. Last year local sales totalled 45 000 t and exports 40 000 t (worth about R1bn), but because of the buoyant local market and despite rocketing world prices, exports this year will be trimmed to 10 000 t.

Alcan, Johannesburg, Demond points out that export prices have increased dramatically. The present Alcan producer price index is an export price benchmark. The market hovers around $1 750 t - in January this was $1 250 t. Although spot market prices have exceeded this substantially at times, says Demond, Alcan Aluminium MD Lion Sonnett says that Alu will only be able to meet local demand until 1982 or so expansion will also have to be centred toward the local market. Although Alu will be building capacity at a rate of a port that can be expected to rise in the US and Europe more than in the economy slump as well is what the game can be expected the details before making a decision what it clear that SA has tremendous advantage where cheap energy is the major cost component in aluminium production. A third of the smelters in Japan where energy is dependent on oil have closed and will never re-open, points out Sonnett. Because of this, the world-wide demand for aluminium scrap relative to the aluminium component in SA and 30% of that in SA are almost depleted. These are all plus factors in favour of expansion at Alcan. But with long-term contracts for aluminium in any decision it could well be that a partnership agreement with an energy-rich country could be on the cards.

Annual per capita consumption of aluminium in SA at 11.4 kg is well behind that of developed countries. In the US it is 21 kg, West Germany 15 kg and the UK 11 kg. Demond however forecasted a growth in SA in the medium term, as has been evidenced already by the economy moving ahead.

Boreas tolls that this has been in the building and domestic appliance industries, while the move to lighter motor cars has also contributed. There is also very strong demand from packaging and the overhead cable business. The conductor market was low but with the electrification of Soweto and the SWA Namibia powerline this has rocketed. Says Sonnett: "Alcan Aluminium is actually importing packaging and selling to meet present demand."
After a 3% earnings improvement in 1979, Dorril has reported an H6 - H5 profit increase to R26m (R25m) for the six months to end March. The forecast for the rest of the year, however, remains at that stated in the annual report when chairman Doug Ellis predicted increased earnings and dividends.

The tax profit in the first half increased 21.6% to R97m (R79m) which after a higher R4.3m 31.8% tax rate gave earnings per share of 12c (11c). This takes into account the two-for-one share split and the issue of 281,000 new ordinary shareholdings of the 11% convertible debentures and executives in terms of the management incentive scheme.

Dorril gives no indication of where the increased profits were earned, nor if there were any problem areas. However, the interim statement says the industry is pleased to show signs of stability and one in trend for example the lead time in steel deliveries has lengthened no doubt as a result of the improving conditions in the economy. On the manpower side, Dorril is one of the largest training operators in the industry, and has also been recruiting overseas.

During the half-year, the group operational structure was changed to rationalise many of the acquisitions of recent years. By placing similar or related specialist operating facilities under common management, Dorril hopes to improve customer service and save on overheads. No immediate effect is expected in earnings, but longer-term benefits should filter into shareholders' hands. The new structure means all group trading activities are now conducted through seven wholly-owned subsidiaries.

The first half also saw the establishment of three new facilities to serve the mining and marine industries as well as Iscor. The largest was a R1.2m workshop at Sishen which will repair Iscor's off-highway vehicles.

Contract completions
The second half's results are impossible to predict without knowing the completion times of group contracts. The directors warn that the first half's results cannot be considered an indication of what the whole year might bring. This is because many group activities are jobbing operations, and profits depend on contracts completed and brought to account during the financial period. Nevertheless, in the past five years, the second six months has produced the bulk of earnings. Since the weekend, the share has advanced 25c to 610c to yield an historic 5.1%. This discounts a dividend of 35c, (31c) which could prove to be a conservative estimate. Even so, with a rising curve for construction starts, the longer term is sound. — Des Kindon
55 held after stoppage

Staff Reporters
FIFTY-FIVE black workers were arrested yesterday after a work stoppage at a Boksburg company, Rely Precision Castings. They have been refused bail and will appear in court this morning.

A police spokesman said the workers had been charged with holding an illegal strike.

The company's managing director, Mr H. G. Thompson, said he had dismissed all the workers. "That settles the matter," he said.

He declined to comment further beyond saying that not all the company's workers had joined the stoppage.

Sources told the Rand Daily Mail that the company's entire black workforce had participated, while coloured workers had remained at work.

A spokesman for the unregistered Metal and Allied Workers' Union, which says it represents the most workers at the plant, said yesterday that a workers' dismissal on Saturday had sparked the stoppage.

Cullinan gets McWade

Financial Reporter

Cullinan Refractories has taken over McWade Products (Pty) for R775,000.

This follows the buying a month ago for R1,200,000 of the Martco operation from Delta Metal Holdings.

Martco makes and supplies specialised electrical components, mainly to the mining industry.

McWade is a non-ferrous foundry making a range of aluminium items which are sold as components to the electrical industry.

Cullinan says that both Martco and McWade should make a useful contribution to earnings in the year beginning July 1.

"Cullinan does not see this move as the end of the expansion road in this area. Over 10 years ago the group planning team consciously made the decision to steer the group out of its total dependence upon refractories, and, therefore, the steel industry.

"We are fast approaching the time when the electrical division will contribute equally with the refractories division to group profits."
A continued strong profit performance last year is being backed by financial restructuring to put GIC on a firmer base. And shareholders are benefiting through both an increased payout and capital appreciation on their shares.

All subsidiaries, involved mainly in the machine tool and mechanical handling sectors, showed improved results last year and even the formerly troublesome Koppel Engineering made fairly steady progress. Turnover was up 47% to R35.4m (R24.1m), of which 66% accrued in the final six months to end-March. Growth in profits was even more spectacular, thanks to improved margins. Pre-tax profits rose to R4.6m (R1.9m) and net profit to R2.6m (R1.2m). With further expansion of manufacturing activities and order books substantially higher, management expects a further improvement in the current year.

Despite a larger share capital as a result of last July's rights issue, earnings were up 93% to 76c (41c). This indicates that the funds raised eight months ago to purchase a trading property of Koppel Gilbert, and to provide working capital, have given an adequate return.

Financial reorganisation is currently underway, due partly to the further restrictions on local borrowing capacity occasioned by the increased holding of around 60% (54.6%) of UK parent B Elliot. This came about as a result of Elliot's having underwritten the rights issue. Short-term borrowings and import facilities have been reshuffled to provide more flexibility, and, coupled with this, working capital has come under tighter control. Liquidity is said to be sound.

With a strong balance sheet, the share at 215c looks attractive, having appreciated sharply since July, when the price was around 105c.

The 17c (10c) dividend total has justified this rise giving an historic yield of 7.9% against a sectoral 5.8%. Although cover has risen to 4.6 times on the weighted average calculation of earnings, this does not indicate a policy of increased retentions as the total cost of the dividend rose in line with profits. This year, the share should offer both increasing capital value and a probable higher payout.
PORT ELIZABETH — An order worth more than R1-million for the supply of 5.7 kilometres of steel-reinforced conveyor belting has been received by Goodyear for manufacture at its Uitenhage plant.

The belting will be used to carry iron ore from the pit face at Jacor's Sishen mine and is due for delivery early next year. The 1.8 metres wide belt will be installed by Krupp South Africa.

This is the second big order for steel-reinforced conveyor belting received by Goodyear in the past few months.
Hulamin raises (\textdollar) final to 27c 30/5/80

Financial Editor

BURITIAS Aluminum has increased its final dividend from 20c to 27c to give a total of 38c
(28c) for the year to March 31. The group showed a large
increase in turnover in the second half of the year from just
over \$8-million to more than \$19-million to make \$100
million for the year. Earnings showed the effect
of the buying upturn. For the
full year they were 71,1c a
share against 29c at half-year.

At the interim net taxed
profit was up by 77%, but for
the year the rise was by 77%
from \$4,966,000 to \$5,333,000.

COMMENT: Hulamin shows
that on historic cost depreciation
earnings would have been
55c against 26c the previous
year.

The group, therefore,
much better protected against
inflation than the two times
dividend cover suggests.

At 30c the shares yield
12.5% on earnings and 6.3% on
dividend which is reasonable in
the present market.
Huletts Aluminium

income soars

On a 21 percent rise in turnover to R105m, Huletts Aluminium increased its net income by nearly 30 percent to R5,2m in the year ended March

A final dividend of 27c has been declared, bringing the year's total distribution to 36c a share.

Earnings on a historic cost basis rose 19,3c to 95,5c a share, but after accounting for the effects of inflation the rise was 16,4c to 71,1c a share.

The capital commitments amounting to nearly R2m will be funded by depreciation and net income retentions.
Diesel dictatorship

Local motor component sales are set to almost double by 1985, as a result of the Atlantis Diesel Engines (ADE) project. Thus, the market will be worth £1.6bn annually by 1985 if the ADE project should push it up another £800m by 1983.

A spokesman for DMC, which is backing the 1800hp ADE scheme, says that ADE will buy 18% of engine components each working day by 1985, and locals claim that 65% of the local industry's output of parts will be used by ADE. The fact that a large part of the market for SA suppliers will give a lot of stability to the industry.

Manufacturers of non-engine components will also cash in on the boom. For truck and tractor manufacturers, the local market is by far the bigger player. In 1985 the profit of non-engine components could grow by £300m.

The ADE factory will employ 200 workers and it will create 2,500 new jobs. In 1985, the ADE programme will raise the number of vehicles produced from 2000 to 4000 a week.

ADE will make only 11 different basic diesel engine designs which have high parts interchangeability. These will replace the 200 different engines which are currently imported. Production runs on some components will be very high, often much higher than the production runs for similar items produced in SA. These volumes should bring down component costs for cars and light commercial vehicles.

The scheme will encourage technical know-how agreements between local and overseas companies, such as the deal between the British Concentric Pumps company and a local firm for the manufacture of oil pumps. Similar agreements on fuel injectors, turbos and forgings, are in the pipeline.

These agreements should attract foreign capital, as existing component factories are expanded and improved to produce larger quantities of high-technology items.

Having to buy these engines locally and then fit them to vehicle chassis will also force the truck and tractor companies into a greater degree of self-sufficiency. Up to now most tractors and trucks have been imported in kits which demanded little expertise to assemble, and only low local content beyond tires and batteries.

The ADE project is likely to drive a number of suppliers and models off the market. The production of tractor and truck units will be cut by over 50% by 1985.

The size of the market will make it all the more important to get some share of it. The ADE project could be worth £300m to local suppliers, and not only from South Africa. The European and US truck industries which produce the vehicles may absorb engines and other components.

Although purchase prices will rise, profits should become cheaper. It is no secret that many component suppliers make 30% on the wholesale price of components. When all the figures are up, the market is expected to double in size. Most of the parts will be bought by vehicle makers and distributors who will also be able to cut costs and reduce their inventories.

The standardisation of engine designs will also bring down workshop and maintenance costs.

In addition, truck and tractor operators may have to buy a new distributor. In the past, some distributors have been supplied with 50% of the vehicles, and this has led to a number of distributors taking over the production of the vehicles. This will not be the case with the ADE programme, and the distributors will be able to cut down costs.

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ADE project under construction. sparking a components boom

Financial Mail May 30 1980

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country’s diesel engine needs.

The IDC invited all companies selling diesel engines in this country to prepare proposals for local manufacture. Five responded — significantly, none were from the US or Japan. Daimler-Benz and Perkins were finally chosen because they already had high market shares in SA and the rest of the world, while they had low capital, components and manufacturing costs in SA, along with relatively good fuel consumption. Their modular engine design was another plus factor as it allows great interchangeability of parts.

So far ADE has signed only a few agreements with local component manufacturers although many are said to be close to conclusion. One of the first was with Leyland for the supply of flywheels and ring gears. Leyland was one of the unsuccessful contenders for the engine manufacture scheme.

Other agreements have been made for engine castings and “interface components,” which had to be specially designed for the SA market to match the ADE engines to the different makes of vehicles they will be fitted to. They include items such as clutch bell housings, manifolds and engine mountings.

ADE’s agreements for the supply of fuel injectors will be closely watched as they could indicate its thinking on the methanol question. If diesel engines are to continue to run on diesel fuel, conventional injector technology will suffice. But if the methanol route is followed a variety of options are opened.

The ADE project is undoubtedly a massive intervention by the authorities into the private sector, and it will shake up an entire industry, crushing some makes and enhancing the fortunes of others. But IDC claims it will attract capital, improve self-sufficiency and expertise, save foreign exchange, create thousands of jobs, and ultimately keep down prices through greater volumes of vehicles.
SAR will give big boost to tool industry

By Frank Jeans

South African Railways will have to undertake a total capital outlay amounting to R12 390m over the next five years to meet the increasing demand for its services. And it will be an expansion programme which will give a tremendous boost to the ancillary industries, not least of which is the machine tool manufacturers.

Opening the new machine tool premises at Herotdale, one of South Africa’s biggest tool manufacturers, Robert Skok and Sons, the general manager of SAR, Dr J G H Loubser said that since 1977 there had been a constant increase in sales figures of machine tools, and the expected figure for 1980 of about R250m represents an increase of 57 percent over 1979.

“What is even more significant,” said Dr Loubser, “is the export figure for locally-manufactured tools, which has since 1973 been of the order of R2m to R5m a year.”

Dr Loubser said that with the improvement in the economy, long-term projects of SAR was likely to raise spending on machine tools to more than R30m this year. “In 1977-78, the total value of materials purchased was R793m of which R631m were for local purchases,” said Dr Loubser.
ELEVEN workers who were last week arrested for an alleged illegal strike have laid charges of assault against the police, according to a statement by the Metal and Allied Workers Union.

And yesterday a police spokesman, Brig B S Pieterse, confirmed that charges of assault had been laid but could not say how many people had complained.

The eleven were part of a group of 55 workers who were arrested at Rely Precision Castings in Boksburg on May 26. They are alleged to have gone on strike after the dismissal of a fellow worker the Saturday before.

After spending the night in the police cells, the 55 appeared before Mr G van Niekerk at the Boksburg Magistrate's Court and were remanded to June 10.

They are on R30 bail.

A spokesman for the Metal and Allied Workers Union said the eleven had laid charges against the police last Wednesday.

The police are investigating.
Fedmech moves to mining supplies

Financial Reporter

Fedmech has acquired Arban Engineering (Pty) from Fedmech Holdings for an undisclosed consideration.

Arban Engineering, formed in 1959, provides engineering consumer goods to the mining industry and industrial manufacturing sectors.

Dr Leon Knoll, deputy chairman and managing director of Fedmech, says that although its major activity remains that of manufacturing and marketing Massey-Ferguson, Saffam and Satterlee farm machinery lines and Hunomag construction machinery through subsidiaries, this development reflects the new Fedmech policy of broadening its activities into other mechanical engineering fields.

The policy of FVB is to rationalise its interests in this sector under Fedmech control.

Mr Angus Walker, managing director of Arban, says the company’s incorporation into the Fedmech group makes good business sense. He foresees a boost to operations from the support that Fedmech can provide in the technical, marketing and financial fields.

Arban’s most successful exported product line are Host white metal, Massey-Ferguson conveyors, belt fastening equipment, Jackson conveyor belt fastening equipment and F&F engineering products.

With white metals, a range of Jackson fasteners and certain proprietary items are being made in South Africa.

After having two small companies in 1976, the company gained access to the polymerisation equipment market, resulting in the manufacture of Normex, vibration equipment and allied products for the mining industry.

Last year Arban bought Isaac-Jackson South Africa (Pty), enabling it to make plate-type conveyor belt fasteners to SAAS specifications.

Since the Federale group took control of Arban in 1971 its sales volume has increased from R31,000 to more than R4 million.

Arban’s head office is in Johannesburg. It sells to the mining industry throughout South Africa and in neighbouring countries and exports to Zambia and Zimbabwe.
HAGGIE/SAMUEL OSBORN

Re-bidding

in 6/6/80 (9)

Samuel Osborn announced that he rejected Haggie's revised offer of December 1978 to buy out the holders. The offer was suspended and negotiations were at an advanced stage. However, it appears that the two or three major institutional holders will accept the revised offer.

Haggie bought control of the mining machinery and machine tool company in December 1978, but since then the company could only make a cash offer to minorities. The 50c offer was an acceptable premium to Osborn's 39c pre-suspension price. But there was still a shortage of top-quality industrial stock for the institutions to reinvest in so the minorities stood fast and Haggie had to settle for a 71c gain.

Following its August 1979 listing, Haggie has now an opportunity to offer a share swap to the institutions. The terms of the revised proposal give the minorities a choice — either 65c cash for each Osborn share held (a premium of 19% on the pre-suspension price of 51c) or 80 Haggie shares plus 14.00 in cash for every 100 Osborn shares. At Haggie's current 75c, the share option values Osborn at 67% a share.

It appears that Haggie has made the share offer more attractive because this is where the interest of the institutions lies. The cash offer has taken into account the profit performance of Osborn over the past year but those taking the 65c will not receive the interim dividend normally declared in August. The Haggie interim, which could be 20c to 25c, will be payable on the new shares.

The proposal will have no material effect on Haggie's net worth or earnings. So in terms of both capital gains and prospective dividends, the second choice remains the more enticing and the almost certain choice of all the minorities.
Steel price likely to rise

Pretoria Bureau

The Government is expected to authorize an increase in the price of steel of about 15% from the beginning of July, according to Pretoria sources.

A higher steel price will push up prices of a wide range of household goods steeply.

Iscor has been bombarded by massive production cost increases during the past twelve months, the sources said. These included coal, fuel, railway rates and power.

The increase, sanctioned by the Government, must also take into account the increased wages which will be paid to the corporation's more than 90000 workers from the end of July.

The sources claim the rises will be "plus or minus 15%." "

The corporation's total wage and salary bill for the current financial year is R61 million.

The fact that the chairman of Iscor, Mr. Tom Muller, is confident the corporation will end the financial year with a R90 million surplus - the first surplus for a number of years - will have little effect on the extent of the price rise.

Iscor spokespersons have said that the steep rise in costs can be measured generally by the fact that merely to transport raw materials to the Iscor works and from one works to another, cost R36 million more this financial year than in the previous year.
Malbak fires on all cylinders

By DAVID CARTE
Deputy Financial Editor

A SURGE in demand for agricultural machinery in the second half, improved packaging, plastic and motor profit and a full year's contribution from new acquisitions, Maceabbe and PCI, lifted Malbak to a record 20% earnings increase in the year to March 31.

Earnings a share for this low-key industrial conglomerate in the first half were 20% ahead at 19.1c. Second half earnings surged 76% to 31.3c for a total of 60.4c to give Malbak its 12th consecutive earnings and dividends record.

The latest results mean that earnings a share have grown at an average compound rate of 17.5% a year since Malbak's creation in 1969 in spite of murderous tough times in motors and agriculture in recent years.

Group sales for the year rose 20% to £120 million, pre-tax profit 37% to £10 000 000 and earnings for shareholders 60% to 6.07p. The dividend was raised 33% to 1.5c (13.5c). Dividend cover has long been conservative, averaging 2.8 since the group's inception, but this year's 2.0 is a high stall, with Malbak already earning nearly 55% on shareholders' funds with better to come, few will object.

Bakke, which makes and sells packaging, plastic products and mining supplies, contributed 42% of earnings and Malbak, the light engineering division, 15%. Other contributions by division were Malbak Motor Holdings 8%, Maceabbe 12%, and Group Services, boosted by PCI, 22%.

Malbak is firing on all cylinders pretty well for the first time since its creation and things look bright for all divisions in the immediate future. It is a tightly run, conservative operation, which should do even better than it already has at 300p the tightly held shares yield 6% on the new dividend, which is attractive.

There seems little danger that even in an acquisitive climate such as this that a predator will move in on Malbak. Most of the shares are scattered among a number of heavyweight institutions.
HLH 80
go-
rights
at 400c

Deputy Financial Editor
HUNT Leuchars & Hepburn,
the R205-million-a-year family-
controlled timber, steel, build-
ing products and engineering
group, is to issue 1,197,839 new
shares at 400c in a rights issue
to raise R4 808 900.

The register will be closed on
June 13 to determine sharehold-
ers eligible for the rights. The
letters will be listed on June 16
and letters will be posted to
shareholders on June 20. The
last day for dealing in the let-
ters will be July 9 and the new
shares will be listed from July
10.

The new shares will be eligi-
able for the dividend for the six
months to August 31 to be de-
clared in October.

With the share price on 455c —
down in line with the market
and, perhaps, in anticipation of
the rights issue — from a high
of 570c in February, and issued
share capital rising only 10% as
a result of the issue, the issue
is attractively pitched on a his-
torical 7% dividend yield

UAL, the underwriters, are
unlikely to have to take up any
stock. There should be a fairly
lively trade in the few letters
outside family hands.
Chubb final up record total

By ELIZABETH ROUSE

CHUBB Holdings has cashed in on the economic upturn and the growth in the security business in the past year.

It has raised the final dividend to 16c from 15c, making a total dividend of 16c against 15c last year. Earnings a share almost doubled to 34,3c from 16,7c and pre-tax profits rose by 76%.

Group turnover rose by nearly 16% from R29,600,000 to R34,700,000. The preliminary profit announcement says this reflects the general improvement in the economic position of South Africa, but competition in all sectors remains keen.

In spite of this competition, the significant rise in profitability illustrates that increased efficiency was obtained and Chubb's market share was successfully retained.

The extent of the increased efficiency which came in the wake of reorganization and rationalization was reflected in the rise in pre-tax profits from R1,200,000 to R2,200,000 on the turnover increase of 17.7%.

Tax took R780,000 and leaving consolidated net profits 84% up at R1,411,000.

Retained earnings have almost trebled from R283,000 in 1979 to R671,000 in the year to March. This will help to finance expansion in the wake of the economic recovery and the improvement in the building industry. The current asset ratio has narrowed to 1.65 from 2.48.

A feature of the latest results was a strong turnaround in the alarm division, which showed pre-tax profits of R254,000 against a loss of R150,000 in the previous year. The fire-fighting division also turned in a strong performance by tripling its pre-tax profit from R121,000 to R363,000. Pre-tax profit in the physical security division rose from R1,309,000 to R1,699,000.

The directors say it has been shown that the incidence of crime always rises in a strong economy. This, coupled with the growing awareness of the importance of security, must cause increased demand for security systems.

It is reasonable to assume that Chubb can turn in an even better performance in the current year.

Market price of 180c is not far below net asset value of 180.1c. The shares should move as they are a snap at the current earnings yield of just over 19% and a dividend yield of 10%.
Alderson stakes
R1.4m

Mr Soliv Sumanovitz, the present chairman of Suman, and Mr Lee Kurey, the managing director, are to be appointed joint managing directors and will hold the remaining 20% of the equity.

The Cape Town consortium of Mr Johan van der Burgh and Mr David Hackett, who bought 41.5% of Alderson in March for R1 400 000 at the a share are expanding the group from its motor base.
Metbox on the way back to blue-chip ranks

By ELIZABETH ROUSE

METAL POW South Africa has posted through to a higher level of profitability after a three-year flat trend and appears set for a return to blue-chip status in the packaging sector.

Year-end results are impressive, reflecting management's more dynamic approach to marketing, the group's successful diversification into fishing and the economic upswing.

The 1990 results still show the effects of losses at the Walvis Bay plant (closed last April) and some losses in the machining and engineering division. Shed of these prospects look bright judging by the profit growth achieved in spite of hardships in the past year.

Earnings and the dividend payout are higher than expected at the half-year stage.

The preliminary report shows earnings up 51% to 45c a share in the year to last March from 23c. A 3c lift in the final dividend to 43c brings total distribution to 78c—a 29% rise on 1979's 60c.

Earnings growth accelerated from the interim's 31% improvement to 14c a share to 46% in the second half of the year, helping Metbox to surpass its dividend total forecast of 10c and analyst's expectations of yearend earnings of around 40c a share.

The group had an operating profit return of 9.18% on sales of R123 672 000 compared with 10.79% in 1979. Sales were R131 275 000. The relevant advance in sales were 27.7% and in operating income 36% on 1979 levels.

The preliminary announcement indicates that this improvement stemmed from a combination of factors, including trimming losses, a full year's and a better contribution from JRT's Butteries and good performance by new members of the family - Quadrisection, African Diamond Works and Atlas Flourmills.

The rise in turnover is attributed to most divisions but especially to the good performance of major crop in the Western Cape.

The loss in the machinery and engineering division was cut by R100 000 and the operating loss of Walvis Bay was halved to R100 000.

The closure of the Walvis Bay plant resulted in a non-recurring loss of R614 000.

Written off against profits were non-trading items of R1 310 000 among mainly from group policy of writing off goodwill on acquisitions over a number of years.

Net interest paid was more than double at R2 751 000 (R1 308 000) resulting in a pretax profit of R22 910 000 — an impressive improvement of 51.2% in what is usually accepted as the more meaningful level of profits.

The losses and allowances saw the incidence of tax further lowered at R6 734 000 (R5 016 000) for net income before non-trading items of R12 674 000 (R1 002 000).

The Walvis Bay write-off reduced the taxed attributable profit advance to 54% at R11 776 000 (R1 002 000).

At the current market price of around 50c, earnings yield is 50.7% and dividend yield is 5.9%.
Stronger, says Seifsa

CONDITIONS in the metal and engineering industries in April reflected a further general strengthening in the improved levels of activity reported in the first quarter of 1980, according to the Steel and Engineering Industries Federation of South Africa (Seifsa).

Seifsa says order intake and production levels in most Seifsa sectors "are now benefiting from the current broadening of expansionary trends in the overall economy."

Sectors associated in particular with the mining industry, building and consumer durables report production performances approaching the levels achieved in the peak month of 1978.

"Reports to Seifsa during April also confirm improved output levels in the large general engineering sector. Further, the current expansionary phase in the mining industry is beginning to flow through to the heavy engineering sector where some spare capacity is now being taken up, enhancing prospects of a reasonable increase in workload during the second and third quarters of the year."

"The gathering momentum in the Seifsa Group of industries is further reflected in the basic iron and steel industries where workload continues to increase, stimulated by the strengthening domestic demand for rolled and drawn steel products.

"Plus factors are also seen in the improved levels for overall manufacturing production, up 10.5% during the first quarter of 1980 as compared with the corresponding period a year ago. It suggests that a new phase of investment expenditure in the metal and engineering industries should get under way during the second half."

(LDM 13/6/80)
should not suffer, adds Jacobs, although a disaster crop would have some effect.

After a moderate decline in borrowings in fiscal 1979, the group appears to have further reduced the debt burden or at least restructured borrowings to take advantage of lower interest rates. Even so, the interest bill rose by 13% to R3.8m (R3.3m). The increase in the previous year was 17%.

The share has risen sharply over the past 10 months from about 300c to the current 510c. At this level it yields an historic 5.9%. Thus year’s prospects are not altogether certain because of possible acquisitions. At least, a dividend hike to 36c is possible, putting the share on a 7% prospective yield basis.

Scott Hawker

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**METAL BOX**

**Canning profits**

The troubles of the SWA fishing industry could have hit Metal Box hard. But a timely diversification programme, as well as an excellent deciduous fruit crop in the Western Cape, enabled it to increase sales by 27% from R215.3m to R273.8m in the year to end-March.

At the same time, a generally more buoyant market has allowed operating profit margins to rise from 8.2% to 9.4%. As a result, operating profits grew from R17.6m to R25.7m. The improvement in group earnings was aided by an R800 000 reduction in the loss attributable to the engineering division to about R700 000.

Some of the division’s major contracts, it seems, took longer to pay out than was anticipated, but management is hopeful that the division will move towards break-even this year. Even so, the group is keeping its options open.

Last year the operating loss of the Walvis Bay can plant was more than halved, but the operation was closed down shortly after the year’s end. Closure resulted in a one-off loss of R514 000. Though a skeleton staff has been maintained to service limited demand, the factory and warehouses are effectively mothballed. However, though some of the equipment is already being shifted for use in other divisions, the group will keep the promises on the books and sit out the fishing dol-drums — for a while at least.

On the credit side, sales were boosted by the consolidation of Bartons, which contributed around 20% of earnings. Additional revenue came from new subsidiaries Quadrisection (tube reformers), African Dentinning and Areas Plastics Exports improved, but still do not constitute a significant portion of earnings, according to MD Derek Jacobs.

Though the group’s growth must largely depend on more acquisitions, Jacobs insists there is “nothing on the boil at the moment.” The group is seeking compatible companies, and there are no cash constraints.

Even if the deciduous fruit crop returns to more normal levels this year, earnings...
Tongaat aims for 100c a share

BY DAVID CARTE

Deputy Financial Editor

TONGAAT GROUP is aiming at earnings of 100c a share in the current year — a 25% improvement on the 80c earned in the year to March 31 — says Mr Chris Saunders in his chairman's report.

The report is generally optimistic for all branches of the group except electrical engineering and electronics.

Mr Saunders says the group aims at growth in earnings a rate of 25% a year until 1983 — the end of the current planning period.

On turnover of R500 million (R421 million) in the past financial year, Tongaat filled hard sugar at profit 34% to R10 91 000 (R12 567 000). Earnings were 33% to R30.4c, while the total dividend of 29c (33.4c) was a 29% improvement.

Profits are stated after additional depreciation of R3 822 000.

Reporting on the divisions, Mr Saunders said the sugar division performed highly commendably, contributing R7 664 000, or 31%, of group earnings. In 1979, sugar profits were R11 177 000 — 34% — of the total.

Because of drought, the industry will not be able to take advantage of current high world sugar prices and there will be a "material reduction" in sugar profits in the current year.

The building materials division, which last year contributed R8 509 000 or 22% of earnings (1979: R8 632 000 or 20%), is expected to achieve "even better results" in the year ahead. Transvaal brick-making capacity is being stepped up by 200-million bricks a year.

Mr Saunders takes a bullish view of the textile division without any benefit of the He-Box acquisition, textiles last year brought in R4 271 000 or 19% of group taxed profit, compared with R3 991 000 or 22% in 1979. Mr Saunders is looking for "substantially increased profits" in the current year.

The purchase of He-Box Textiles will be of "immediate benefit" to the division and there is significant scope for rationalisation of the product range.

Investment income of R5 543 000 (R2 500 000), representing mainly dividends from the 28.7% stake in Hulett's, contributed an unchanged 15% of the total.

The foods and feeds division contributed R1 916 000 — 8.4% — of earnings, compared to R1 190 000 or 6% in 1979. The purchase of H Lewin will have "a major effect on both turnover and profitability". Lewis will make the division more self-sufficient in protein supplies.

Capital expenditure last year was R21 400 000, an increase of R9-million. The acquisition of He-Box, H Lewin and Isando Milling will cost R33 800 000.

In addition, the building materials division plans to spend R11 500 000.

The acquisition of He-Box Food Ltd will cost R33 800 000. In addition, the building materials division plans to spend R11 500 000.

Food and feeds R6 791 000 and textiles R6 500 000. Capex will be funded from reserves and the proceeds of the issue of preference shares and will not stretch the balance sheet in which only 22% of capital employed Tongaat raised a further R5 500 000 of these in the current financial year.
Row flares over Genmin gearbox bid

By HOWARD PREECE

A MAJOR battle has flared between the motor manufacturers and General Mining over Genmin's R150-million bid to secure an effective monopoly in the production of truck gearboxes and heavy truck axles.

The outcome will have an important effect on truck prices.

The National Association of Automobile Manufacturers claims that "the decision by the Department of Industries and Commerce to create a monopoly is totally opposed to the Government's stated intention to support and encourage a free market capitalist system."

It is seeking an urgent meeting with Dr S W van der Merwe, the Minister of Industries and Commerce.

Naamsa also claims that the move could harm the Atlantis Diesel Engine project - although the gearbox and axle plan is intended to slot in with Atlantis.

The motor manufacturers are counting on powerful backing from Atlantis in their attempt to force a Government rethink, at least on timing.

Atlanta is the State-sponsored plan to give a monopoly of diesel engine production to Mercedes and Perkins for strategic and local content reasons.

According to some estimates, the combination of higher prices for diesel engines and for gearboxes and axles could add 25% to the cost of new trucks.

The Genmin subsidiaries involved are AS Transmissions & Steering Boxes, which has asked for a 15% duty on trucks fitted with imported gearboxes rather than its ZZ gearboxes, and SA Axles, which reportedly wants a 20% duty on trucks fitted with imported axles.

A statement by Mr Colin Adcock, managing director of Toyota and chairman of the Naamsa heavy vehicle subcommittee, says "Naamsa must record its total opposition to the granting of a monopoly in respect of the proposed manufacture of truck gearboxes and heavy-duty axles."

"The decision was reached without any reference to the industry and, apparently, without any alternative sources of supply being investigated."

"The industry has no stage ever opposed a local content programme in medium and heavy trucks, but has only asked that there be planted in conjunction with it and in such a manner as to make it as economical as possible for both the manufacturer and the consumer."

Mr Adcock says the Genmin move could give some truck producers major advantages over competitors. (Mercedes has been cited as a particular beneficiary in one report.)

He says that "at the very worst, Naamsa believes that the manufacturing rights to gearboxes and axles should have been granted on a similar basis to that used for the granting of engine manufacture."

That is, the right to manufacture should have been advertised and prospective manufacturers should have been in a position to submit proposals which could have been discussed with the industry, thus ensuring an acceptable and broader choice of product.

Mr Adcock says Naamsa has "emphasised that the request that the transmissions and axles be localised concurrently with the launch of the Atlantis diesel programme was totally impractical and any attempt to do so would undoubtedly delay the launch of this project."

"It is admitted that a limited number of manufacturers who currently use the engines which form the basis of the Atlantis project and the gearboxes and axles which it is proposed to manufacture in South Africa could meet this timing."

"The management of the Atlantis Diesel Engine project confirmed that they could not accept any changes which might jeopardise the timing of their programme."

"Naamsa is happy, therefore, to have the assurance that ADE will support it in avoiding any action which might be detrimental to the present programme in which all manufacturers have already invested considerable sums of money."
Naamsa opposes Genmin application

An application to grant protection to Genmin’s truck gearbox and axle subsidiaries has resulted in Naamsa’s heavy vehicle sub-committee chairman, Colin Adcock, totally opposing the application.

Adcock says the decision reached by the Department of Trade and Industries was reached without reference to the industry and that while Naamsa has never opposed the local content programme, the granting of sole rights to the Genmin subsidiaries can create a situation where certain manufacturers could have a major advantage over competitors.

In addition, Naamsa has emphasized that the request to manufacture gearboxes and axles to coincide with the launch of the Atlantis diesel engine programme was totally impractical and would delay the project if implemented.
Otis marks time, pays 20c again

By DAVID CARTE
Deputy Financial Editor
OTIS, South Africa's biggest lift and escalator company, made or less marked time in the half-year to the end of May, with pre-tax profits at R394,669 only 2% up on the R388,300 made in the first half of 1979.

Taxed attributable profit was 3% ahead at R2,233,000 (R2,181,300) while earnings a share rose in line to 15.1c (12.7c). Once again the dividend exceeded earnings, with an unchanged interim of 20c.

The intention is to pay a static 20c final for a total of 40c for the year. If Otis does this, this will be the third year dividends have been paid out of capital.

The interim report says "the low value of construction contracts completed has militated against any meaningful improvement in profit." Although activity in the lift and escalator market is increasing, "a considerable time must elapse before this can be reflected in our profits."

Competition between lift manufacturers remains fierce in an oversupplied high-rise market. Demand for lifts from the mines is described as "spasmodic."

Otis takes installation profits to account only on completion of contracts, so given the low level of high-rise activity, most of these profits must come from servicing. With several "pirate" lift maintenance firms competing, this area is looking distinctly less lucrative than it once was.

The good news is that, as activity in central and suburban Johannesberg indicates, high-rise building is due for a takeoff soon that could be dramatic. With its advanced new Elevone 100 lift, which uses less current and moves people faster, Otis could have a technological edge on its rivals. It is still dominant in the market and must one day come right.

To the JSE, the burning question about Otis is how sustainable are the dividends? Distributable reserves declined from R6,350,000 in 1977 to R2,902,000 last balance sheet, so this could well be the last year in which dividends are paid out of capital.

Nevertheless, it seems safe to assume that Otis can pay dividends equivalent to 75% of current earnings and it would be surprising if it did not manage to equal last year's 27.8c of earnings. This would indicate a sustainable dividend of about 21c, which would put the share on a prospective 7% yield compared with the historic yield of 14%.

On the face of it, Otis looks a good long-term hold. Not only is high-rise building almost certain to come back, as it has dramatically in the USA, but perhaps one day Otis's parent, United Technologies, might have an attack of social conscience and be prepared to sell to South African owners at a respectable premium.
Strikes spread to 4,350 now out

own correspondent

PORT ELIZABETH - Strike figures at Pretoria factories swelled to about 4,500 yesterday when black worker at two factories joined the 2,300 who downed tools at Volkswagen on Monday and who marched through the centre of the town yesterday.

Work came to a standstill at the Hella automotive lighting equipment plant when 700 assembly line workers, 630 of them women, went home at lunchtime.

At SKF Bearing Manufacturers, about 130 workers were sent home when they refused to go back to work after lunch.

Hella's managing director, Mr. Fred Polasek, said workers started to gather in groups from 9 am. They later demanded an hourly rate of R5. This was absurd. Later most of the women expressed fear of being beaten up if they did not leave. For their safety, I decided to close the factory and send them home.

At Volkswagen, where workers have demanded a minimum of R2 an hour, the plant has been closed until further notice.

Management said in a statement to workers late yesterday that negotiations with union officials would continue.

Earlier, the Volkswagen public affairs manager, Mr. Ruben Fis, addressed the secretary of the United Automobile, Rubber and Allied Workers Union, Mr. Fred Saut, after gathering on the factory floor at 8 am.

Workers rejected calls to carry on while negotiations were in progress and left on their own accord. They were told management needed more time to consider the demand.

Mr. Fis said the strikers would not be paid during the stay-away.
Teargas used on strikers as more join in

By RIAAN DE VILLIERS
Labour Correspondent

POLICE used teargas and dogs to disperse striking workers in Uitenhage yesterday as labour unrest spread, bringing the number of workers on strike to more than 6,000.

Among new firms hit by strikes yesterday was Borg-Warner, a transmission plant, where the total black and coloured workforce walked out after lunch following a rejection of a management wage offer.

And a construction company, Link Construction, closed both its depots in coloured and black townships after workers at one depot went on strike.

In another development, the Volkswagen plant, where the strike wave began on Monday, was closed down until further notice.

Borg-Warner is the third major motor component factory to be affected, the others being Hella, which manufactures electrical equipment, and SKF Bearings, a ball-bearing plant.

Sources in the motor industry yesterday expressed fears that the strikes could soon affect production at other motor manufacturing plants.

A spokesman for Borg-Warner said yesterday 250 black and coloured workers walked out after lunch and the rest of its total black and coloured workforce of 285 was not expected to turn up for nightshift.

Workers gathered on the lawn outside the plant after a meeting in the canteen during lunchtime, where black and coloured shop stewards demanded a minimum wage of R2.50 an hour for sweepers, the lowest paid workers.

The present minimum rate prescribed by the industrial council agreement for the steel and engineering industry is R1 per hour.

Management made a counter offer but workers rejected this and walked out.

Production was continuing with the help of white staff but was "obviously affected", the spokesman said.

He added: "This is no longer a company problem alone but has become an area problem."

A Volkswagen spokesman, Mr Reuben Els, said the factory had been closed until a new industrial council agreement was reached in the motor assembly industry.

The closure was announced to a group of about 200 workers outside the factory yesterday morning.

He could not say when the factory would reopen but added that negotiations were in progress and the firm hoped the wage issue would be settled "as soon as possible."

He said the 3,500 strikers among the factory's black workforce of 6,000 would not be fired but would not be paid during the closure.

The plant had lost a "few hundred units" during the past few days.

At SKF, a company spokesman claimed workers had rejected a management offer to increase the minimum starting rate of R1.15 an hour to R1.70.

She said workers were demanding R2 an hour, as are Volkswagen workers.

However, a worker representative at the plant said yesterday workers had moderated their wage demand "some days ago".

They were now demanding R1.65 an hour, he said.

He complained that "our demands are being exaggerated to make us appear unreasonable".

Workers were told they would be fired unless they were back at work tomorrow morning. According to management, production was continuing with the help of white personnel, including office staff.

Meanwhile, sources in the motor industry claimed the strike wave was not primarily over wages.

One spokesman said workers were expressing "political, economic and social grievances", and were using the strikes as a way to compel attention.

A source in industry in Port Elizabeth said the strikes were being viewed with a "great deal of concern" as they could spread easily.

Another spokesman said: "The strikes are obviously not about economic issues, but political issues. We will just have to wait and see."

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A source in industry in Port Elizabeth said the strikes were being viewed with a "great deal of concern" as they could spread easily. 
Steel price set to jump by 12%

Pretoria Bureau

SOUTH Africa's 14% inflation rate will be given another boost from the beginning of July when the steel price is expected to rise by "at least 12%", it was learnt in Pretoria yesterday.

This would mean prices of a wide variety of goods and equipment, including motor vehicles, would have to be reviewed and raised.

Although Iscor's chairman, Dr Tom Muller, announced earlier this year he expected the financial year to end with a R100-million surplus — the first time Iscor has been out of the red for a number of years — this is expected to have little influence on the extent of the steel price rise.

Economists said yesterday a steel price increase could hardly be withheld against a backdrop of the enormous cost rises in the steel industry.

One major cost factor is the increase of about 14% expected to be granted to Iscor's 69 000 workers from July.

This would take the total wage and salary bill to a record R600-million.

The seven unions representing 20 000 technical workers met yesterday to consider a management offer of 14%.

Deadline for the unions' response is tomorrow.

A senior Iscor official said the 11 000 administrative and senior technical staff could also expect a rise of about 14%.

The 30 000 black workers are expected to get a bigger percentage rise in terms of a policy to narrow the wage gap.

Last July Iscor workers were granted an 8% increase.
By STEVEN FRIEDMAN

MORE than 300 black workers at an Elandsfontein factory, Steel Pipe Industries, stopped work yesterday after a dispute over the dismissal of a colleague.

The workers are expected to return to the factory this morning, although it is not yet clear whether the stoppage will continue.

A company spokesman said the entire workforce was involved in the stoppage, which occurred yesterday morning.

The company is a subsidiary of African Gate and Fence.

The stoppage is the first walkout by a sizeable number of black workers in the Transvaal for some time.

The company's managing director, Mr D D Barnard, said the dispute had been prompted by the dismissal of a "boss-boy" on Tuesday night. The dismissed man had been "an instigator" but had not been dismissed for this reason, he said.

He alleged that the dismissed man had stopped work early and had therefore been fired.

Workers held a meeting during yesterday morning's tea break to discuss the man's dismissal. Afterwards they "failed to return to work" and demanded a meeting with a management representative, Mr Barnard said.

A meeting was then held with management at which workers demanded that the dismissed man be re-instated as they feared he had been victimised.

According to Mr Barnard, workers said that the dismissed man should be re-instated and threatened to stop work if this was not done.

"We could obviously not be threatened in this way, and I told them that they could leave if they were not prepared to work. All the workers then left the factory," he said.

The workers, he said, had not raised complaints about working conditions.
Gallo offered 265c by Prem Mill

Financial Report

Premier Milling has confirmed that it is the bidder for Gallo at 265c a share. The takeover will not, however, be 100%.

Premier is to acquire 55% of the shares of the controlling shareholders — Mr E G Gallo, Mr A G McGrath and Mr P A Gallo — and is extending the bid to 55% of the shares of minority holders.

The present controlling shareholders have agreed to sell additional shares should any shortfall from minorities need topping up to make Premier's stake 55%.

A statement issued by Barclays National Merchant Bank on behalf of Premier and Gallo says, “Gallo has, subject to shareholders' approval, agreed to acquire from Premier its bookshop division, the consideration for which will be the issue to Premier of approximately 1 693 600 new ordinary shares in Gallo.”

The bookshop division includes 18 retail outlets throughout the Republic, a specialist subscription agency for technical journals and publications, a wholesale distribution operation and printing and publishing.

The directors of Gallo estimate that the earnings of the company for the year ended June 30 will be not less than 60c a share, before adjusting for any convertible preference shares converted into ordinary shares in terms of the company's executive share incentive scheme.

There will be no material effect on the net asset value of Premier, but the acquisition would have resulted in an increase in Premier's earnings for the year ended March 31 of approximately 3c a share.

COMMENT: Gallo makes and distributes records and tapes, consumer electronic products and audio-visual equipment.

Under the direction of Mr Gerald McGrath, the company last year returned a record-breaking profit after three miserable years before.

Premier Milling is, of course, a large and diversified food group which last year reported a solid profit rise after two previous disappointing years.

The cost of the 55% stake will be around R7 million.
300 black strikers face sack in dispute.

Fast Food Corp. March 9

Eight of 300 black workers at a fast food
restaurant in San Francisco went on
strike to protest the discriminatory
practices of the company.

The workers, members of the
united African American Workers of
America (UAAWA), are demanding
better wages and working conditions.

The UAAWA said the workers
were subjected to racial harassment
and discrimination.

The restaurant's management
denied the allegations.

The workers have been
waiting for a letter from the
company's headquarters in
New York, which they believe
will announce their termination.

The workers said they
would continue to
protest until
their demands
are met.

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The National Labor
Relations Board
(NLRB) has opened
an investigation
into the
restaurant's
operations.

The NLRB said
it will review
the workers' claims
and determine
whether the
company's
actions are
illegal.

If the
company
fails to
comply with
the NLRB's
findings,
the workers
have the right
to strike
in protest.

The workers
said they
would continue
their
protest until
their
demands
are met.
Police active as strikers grow to 5,000

Own Correspondent
Pretoria - Police used teargas and dogs to disperse striking workers in Uitenhage yesterday as labour unrest spread, bringing the number of workers on strike to more than 5,000.

Among new firms hit by strike yesterday was Borg-Warner, a transmission plant, where the total black and coloured workforce walked out at lunch following their rejection of a wage offer.

Another firm, Link Construction, closed both its township depots after workers at one depot went on strike, and the Volkswagen plant closed till further notice.

Borg-Warner is the third major motor-component factory affected, the others being Holla, which manufactures electrical equipment, and SKF Bearings, a ball-bearing plant.

A spokesman for Borg-Warner said 250 black and coloured workers walked out after lunch and the rest of its black and coloured workforce of 265 was not expected to turn up for nightshift. A minimum wage of R2.30 an hour for sweepers was demanded.

The present minimum rate prescribed by the industrial council agreement for the steel and engineering industry is R1.80 an hour.

A Volkswagen spokesman, Mr. Reuben Els, said the factory had been closed till a new industrial council agreement was reached in the industry.

He said the 3,500 strikers among the factory's black workforce of 6,000 would not be fired but would not be paid during the closure.

A spokesman for SKF claimed workers had rejected management's offer to increase the minimum starting rate of R1.15 an hour to R1.70, and were demanding R2 an hour.

However, a worker representative said workers had moderated their wage demand, 'some days ago' and were now demanding R1.65 an hour.

He complained that our demands are being exaggerated to make it appear unrealistic.

Sources in the motor industry claimed the strike was not primarily over wages.

One spokesman said workers were striking to bring attention to political, economic and social grievances.
Johannesburg — More than 300 black workers at an Randsfontein factory, Steel Pipe Industries, stopped work yesterday after a dispute over the dismissal of a colleague.

The workers are expected to return to the factory this morning, although it is not yet clear whether the stoppage will continue.

A company spokesman said the entire workforce was involved in the stoppage, which occurred yesterday morning. The company is a subsidiary of African Gate and Fence. The stoppage is the first walk-out by a sizeable number of black workers in the Transvaal for some time.

The company’s managing director, Mr. D.D. Barnard, said the dispute had been prompted by the dismissal of a boxboy on Tuesday night.

He claimed that the dismissed man had been an instigator, but said he had not been dismissed for this reason. Mr. Barnard alleged that the man had stopped work early and had been hired for that reason.
Steel price goes up from today

By GERALD REILLY
Pretoia Bureau

The price of steel will be increased from today by an average of 14.1%, an Isecor spokesman announced in Pretoria yesterday.

And economists and industrialists warned that the increase, which varies from 9% to 17%, will ripple through the economy to inflate prices of a wide range of products from pens to motor cars.

The new price applies to all steel produced in South Africa, not only to Isecor's steel.

The spokesman said the effect on the inflation rate would be no greater than 0.4%.

For instance, the effect on a small car would be R107 on a medium priced car, R135 on a large car, R172.

He cited other examples, like the estimated price of a refrigerator would be R156, an electric stove R12, a three-bedroom house R297 and of fencing R33.

The spokesman stressed that during the past year costs of raw materials and other production input items like power, fuel and transport had increased greatly.

He said that Isecor expected to show a profit of about R165 million for the financial year which closes at the end of the month. This was mostly because of the big 21% increase in local demand for steel products.

The increase in the previous year was 5% and the projection for the new financial year was 7%.

During the past twelve months Isecor exported 33% of its production, earning R180 million in foreign exchange. Earnings were slightly higher than production costs.

The spokesman emphasised that these customers were not made to pay for export losses.

Volvo's chief economist, Mr A S Engelschultz said yesterday that the higher steel price, together with other inflationary pressures, would send the overall rate up above 15% by the end of the year.

He said there was a whole string of products and industries affected in a multiplied extent by the price of steel.

These included the motorcar industry, household equipment and the building industry.

Group economist of Standard Bank, Mr A Hamersma, said yesterday that in the current economic environment a rise in the steel price was imminent.

"It will have a widespread effect. It will filter through to virtually every manufacturer in the country in one form or another."

Hopefully at least some companies would try to absorb the increase, but with the current high demand for industrial products, it could only be a hope, he said.

Examiners' Initials

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<thead>
<tr>
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<th>Internal</th>
<th>External</th>
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<tr>
<td>1</td>
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\*\*WARNING\*\*

No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.

Candidates are not to communicate with other candidates or with any person except the invigilator.

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

3 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.
Firms Paralyzed: Strike Then Return

Workers Strike then Return

EVIDENCE - For years, firms have been paralyzed by strikes. Workers have gone on strike for various reasons, including poor working conditions, low wages, and lack of benefits. The strikes have often lasted for months, causing a significant impact on the economy. The government has tried to mediate the disputes, but the workers have remained uncompromising. The situation has become so severe that firms have been forced to shut down operations, causing a loss of jobs and income for thousands of workers. The government has been under pressure to take action, but so far, nothing has been done. The situation is critical, and urgent measures are needed to avoid a complete collapse of the economy.
## GOVERNMENT NOTICE

**DEPARTMENT OF COMMERCE AND CONSULAR AFFAIRS**

No R 1320  
20 June 1980

**PRICE CONTROL**

**MAXIMUM PRICES OF CERTAIN STEEL PRODUCTS**

By virtue of the powers conferred on me under section 4 of the Price Control Act, 1961 (Act 25 of 1961), I, Elias George de Beer, Price Controller, hereby amend with effect from date of publication hereof Government Notice R 1208 of 20 June 1975 by the submission of the Schedule thereto by the following Schedule

### SCHEDULE

<table>
<thead>
<tr>
<th>Column 1</th>
<th>Column 2</th>
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<tbody>
<tr>
<td>Category of steel product</td>
<td>Manufacturer's maximum selling price per 1000 kg for factory*</td>
</tr>
</tbody>
</table>

1. **Sections**
   - (a) Angles and T-bars 152.4 mm and under  
     132.25
   - (b) Channels and angles over 152.4 mm  
     132.25
   - (c) Flanges (Taper Flange)  
     130.25
   - (d) Universal beams, universal columns and bearing piles  
     315.75
   - (e) Reinforcing bars (including cold rolled)  
     310.75
   - (f) Black bars (excluding reinforcing bars)  
     - (i) Round, 6 mm to under 45 mm diameter  
       409.75
     - (ii) Rounds, 45 mm diameter and over  
       311.75
     - (iii) Squares, under 55 mm side  
       334.75
     - (iv) Squares, 55 mm side and over  
       322.75
     - (v) Flats, 20 mm to 50 mm wide  
       325.75
     - (vi) Flats, over 50 mm wide  
       335.75
     - (vii) Flat bars  
       356.75
     - (viii) Wire rod  
       364.75
   - (g) Rails, 10 kg per m and over  
     344.75
   - (h) Plates, 4.5 mm and over  
     377.25
   - (i) Hot rolled sheets (coils, cut lengths and slit strip in coils)  
     337.25
   - (j) Cold rolled sheets (coils, cut lengths and slit strip in coils)  
     386.25
   - (k) Galvanized sheets (coils, cut lengths and slit strip in coils)  
     438.75
   - (l) Galvanized profile sheets (prime material)  
     476.25
   - (m) Galvanized profile sheets (second grade)  
     476.25
   - (n) Galvanized profile sheets (third grade)  
     498.75
   - (o) Galvanized profile sheets (non-metals)  
     512.75

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## GOVERNMENTSKENNISGEGEWE

**DEPARTEMENT VAN HANDEL EN VERBRUIKERSAKSE**

No R 1320  
20 June 1980

**PRIJSBEHIEFER**

**MAKSIMUM PRIJSE VAN SKEERTE STALProduk**

Kragers die bevoegdheid my verleen by artikel 4 van die Wet op Prijsbeher 1961 (Wet 25 van 1961), wysig ek, Elias George de Beer, Prijsbeheerder, hierby, met ingang vanaf datum van publikasie hiervan, Goewerimentskennisgewe R 1208 van 20 Junie 1975 deur die Bylae daarvan deur die volgende Bylae te vervang

### BYLAE

<table>
<thead>
<tr>
<th>Kolom 1</th>
<th>Kolom 2</th>
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<tbody>
<tr>
<td>Kategorie staalprodukt</td>
<td>Fabrikant se maksimum verkopeprys per 1000 kg vanaf fabriek*</td>
</tr>
</tbody>
</table>

1. **Proile**
   - (a) Hoekproile en T-staas 152.4 saamgestelde mm en mander  
     312.25
   - (b) U-proile en hoekproile van meer as 152.4 saamgestelde mm  
     312.25
   - (c) rondstaal  
     310.75
   - (d) Universele Balke, universeelkolumne en universeelpende  
     315.75
   - (e) Wapenslagwesêse (vulmeetende gehaspele rondstaal)  
     310.75
   - (f) Spreitsas (ongesonde wapenstas)  
     315.75
   - (g) Rondstaal 6 mm tot minder as 45 mm in deurne (vulmeetende gehaspele ronde profile)  
     310.75
   - (h) Rondstaal, 45 mm deurne en meer  
     311.75
   - (i) Verskansproile, mander as 55 mm sws of 13ks  
     312.75
   - (j) Verskansproile, 55 mm sws en meer  
     315.75
   - (k) Platproile, 20 mm tot 50 mm swd  
     325.75
   - (l) Platproile, meer as 50 mm swd  
     370.75
   - (m) Plaat-staal  
     330.75
   - (n) Vlakvlakke  
     355.75
   - (o) Spoorstas, 10 kg per m en meer  
     341.25
   - (p) Loddroplaat, 4.5 mm en meer  
     331.25
   - (q) Wapperesplate (rol)  
     317.25
   - (r) Koudgeweldes plate (rol)  
     390.25
   - (s) Verskansplate (rol)  
     458.75
   - (t) Verskansplate (rol) en meer  
     476.25

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213—A

7005—I
Coal industry critic says: Iscor coke mine threat to steel price

By Adam Payne

ISCOR's developing Grootegeluk blend coking coal mine in the Ellisras area, North-Western Transvaal, could become a cost burden in steel production because of high capital and working costs, amortisation and quality, says a leading executive in the coal industry.

The private sector supplies blend coking coal to Iscor and Highveld Steel & Vanadium Corporation at about R30 a ton, and early estimates suggest that blend coking coal from the State-run Grootegeluk mine could cost about R37 a ton because of poor quality base coal and high infrastructure costs in the back blocks of Ellisras.

Because the cost of coke is one of the principal ingredients of steel costs, this could contribute to higher steel prices, with a ripple effect throughout the mining, construction and other industries. I am told that at least 0.8 ton of coking coal is burned to produce one ton of steel.

According to the coal industry executive, Iscor's costs of coke made from Grootegeluk blend coking coal will rise astronomically.

Grootegeluk is planned to produce 1.8 million tons of blend coking coal a year, starting later this year.

About R27-million is invested in Grootegeluk. To amortise that sum over 30 years will call for R8-million a year.

Interest on this same sum in the private sector would be about R87-million a year — probably more Iscor is launching the project by leasing the surface plant, so it will not be cheaper than R87-million.

The coal executive says that, working costs will not be less than R8 a ton. As Grootegeluk will mine 18-million tons a year, working costs will total R375-million in round figures.

The preparation costs on the type of coal to be mined will not be less than R1.50 a ton, totaling about R225-million.

All these costs total R142-million which, divided by 1.8 million tons, results in R79 a ton.

Iscor has negotiated a contract to supply 330,000 tons of maulings steam coal, from the preparation process, to Escom. Assuming it receives R5 a ton for it — the price is not known — there will be a credit of R1.1 million, leaving total costs at R132-million.

Iscor, therefore, says its decision to build the coal mine was based on the belief that the mine will be a cost-effective project. The mine is expected to produce more than 120-million tons a year from its own open-cast operations.

As the infrastructure at Grootegeluk, which heavily contributes to the capital cost, has now been established, an increased output from the mine will result in a substantially lower coal cost.

It is calculated that a 100% increase in output will result in a 5% decrease in cost. Here again, one must not lose sight of the rise in prices of purchased materials and coal prices.

Iscor says that its expertise in open-cast mining is of the best in South Africa. Thus, together with the factors of large reserves, full use of the deposit, security, economical quality and continuity of supply, will ensure that Grootegeluk can maintain a substantially lower cost burden.

Iscor is not prepared, it says, to be drawn into a situation where divestiture of cost figures relating to its mining operations could be advantageous to other parties.
Meeting ban action

unrest spreads to more firms

over 7,000 on strike as labors
More than 200 of the striking black workers of Steel Pipe Industries on the East Rand resumed work today but 22 were not taken back.

Those of the more than 300 strikers who stayed away again today because of fear of reprisals from troublemakers also would be taken back, said Mr D D Barnard, the managing director.

The 22 who had "dismissed themselves" by striking were intimidators, he said.

A spokesman for the Workers' Project of the Federation of South African Trade Unions said workers were sure that more than 30 were turned down when they returned to work today.

The men had returned because Mr Barnard had promised to reinstate all strikers and to recognise the workers' committee.

But after this message was conveyed to the strikers, Mr Barnard said he would not take back instigators and would not recognise this committee.

By then it was too late to convey the message to the workers, the Workers' Project spokesman said.
Workers face the sack

MORE than 300 black Elandsfontein factory workers face dismissal unless they return to work.

The entire work force of Steel Pipes Industries in North Reef Road stopped work on Wednesday after a dispute over the dismissal of a colleague.

The managing director of the company, Mr D D Barnard, said yesterday he was not prepared to negotiate or compromise with the workers.

"INSTIGATORS"

"We won’t be dictated to by the masses, those who want to work are welcome back and those who don’t will be paid off."

He claimed that more than 95 percent of the work force wanted to return to work, but they were being terrorised by a handful of "instigators".

"These instigators are using the dismissal of one of their colleagues as an excuse. They are really trying to promote industrial unrest," said Mr Barnard.

Workers were expected to hold a meeting yesterday.
Prospecton firm pays off entire staff of 30 workers

Mercury Reporter

THE entire staff of 30 workers at the KBW Valve factory in Prospecton — part of the Associated Engineering Group — were paid off yesterday after a two-day strike over a wage dispute.

The workers downed tools after their tea-break on Thursday.

Mr Elwyn Seckin, the factory manager, said yesterday that the workers had demanded more money but had not specified an exact amount.

'They agreed to negotiate but demanded that all workers be allowed to participate and refused to be represented by the industrial committee or to elect a spokesman.'

Workers said they had asked for a 20 percent increase and when their request had been refused they had downed tools.

Workers complained that in some cases nearly half their take-home pay was spent on travelling expenses.

'Some of us travel from Phoenix and we find it extremely difficult to make ends meet,' said one worker who supports a family of three.
Staff is paid off after pay dispute

Own Correspondent

DURBAN — The entire staff of 80 workers at the WKBW Valve factory in Prospecton — part of the Associated Engineering Group — was paid off yesterday after a two-day strike over a wage dispute.

The workers downed tools after their tea-break on Thursday.

Mr Elwyn Seeks, factory manager, said yesterday that the workers had demanded more money but had not specified an exact amount.

"They agreed to negotiate but demanded that all workers be allowed to participate and refused to be represented by the industrial committee or to elect a spokesman.

"They were told it was impossible to negotiate with the entire staff. We wanted them back to work on three occasions and said we were prepared to negotiate with a spokesman only when they had returned to their jobs.

"They refused. A notice was put up saying that the management understood that all employees who had not returned to work had resigned and new applicants would be considered on Monday," Mr Seeks said.

He said he had met the industrial committee on Wednesday and they had not mentioned anything about pay increases.

A spokesman for the workers said they had asked for a 50% increase and, when their request was refused, had downed tools.

Workers complained that in some cases nearly half their take-home pay was spent on travelling expenses.

They also wanted shift allowance payment for all workers.

"At present a shift allowance is paid for the 6am to 1pm workers. There is no allowance for the 6am to 2pm workers. This is unfair," the spokesman said.

He claimed there was hardly any difference between the pay of the factory fitter and a quality controller.
Police open fire on Uitenhage strikers

By RIA AND DE VILLIERS

Labour Correspondent

POLICE opened fire with hand-throw sticks on striking workers in Uitenhage yesterday as industrial unrest continued.

Police also used teargas to disperse over 1000 striking workers who marched through the town after collecting their pay at the closed motor industry plants.

One man was wounded in the legs and a number of arrests were made, police confirmed.

In another development, three giant Eastern Province motor assembly firms—Yesterda, GMU, and Industrial and Development—announced that they are to end the unrest.

The police action came as workers entered the black township of Kabah accompanied by a convoy of 10 vehicles and an armoured car. Earlier, workers marched in front of the shut-down Goodweyr plant asking for return to work.

At midday, the area appeared calm but the atmosphere was described as tense by trade union officials.

Two strike-lit firms—Goodweyr and National Standard announced that workers who failed to return to work on Monday would be paid off.

Yesterday's new wage offer was made by the three employers parties to the local industrial council for the motor assembly industry—Ford, General Motors, and Volkswagen—as a meeting with officials of the National Union of Motor Auditors and Rubber Workers, and the United Auto Workers Union.

A special meeting of the full industrial council has been called for next Tuesday. The offer was to be submitted to the joint committee of the two unions at the Volkswagen plant in Uitenhage—where the strike wave started on Monday.

A spokesman for SAWEA said yesterday that workers were told they would be paid off if they failed to return to work on Monday morning.

A spokesman for GMU said it would be prepared to negotiate with workers after they had returned to work.

The steel and engineering industry wage increase for July had been brought forward and management would also be prepared to negotiate further wage increases as well as incentives and bonuses for workers.

The three companies announced that the workers would be paid off.

At Goodweyr, workers remained outside the factory gates after being paid off.

A management spokesman said there were negotiations with the help of an office staff.

At Ford, workers were paid off.

The Volkswagen Workers Council ending a two-day meeting at the Wolwagberg plant in Wolwagberg declared its solidarity yesterday with black workers on strike in South Africa.
Guns for Access

DURBAN — Marshall Guns, the Durban-based importer and distributor of guns and ammunition, has sold a 31½% interest in the company to the JSE-listed Access Investments for R300 000 and 297 490 Access shares.

The company started business in Durban when Mr Denis Monk and his associates bought the trading licence and stock from the Marshall Industries group which went into liquidation.

Access, which was carved out of the Gooderson hotel empire, has sold two Klerksdorp property-owning companies to Mr J G Terblanche for R291 000. Access will receive R111 000 in instalments after deduction of a R180 000 mortgage bond.

The properties have been leased to Century Hotels. The transaction dates from March 1 and will be concluded in March 1992 with the last payment.

In a notice to shareholders a director, Mr I. Wolf, says that after writing off goodwill equal to 6c a share on the Marshall Guns transaction it is not expected that the two deals will have any effect on the net asset value.

It is expected that earnings for the year to August 31 will rise from 2.5c to 3c a share.
Aluminium

By BILL CAIN

BIG CUTS in aluminium exports are expected to lift the gloom of recent years.

Heavy investments being made into the lightweight metal industry indicate a virtually unlimited boom after many doldrum years.

Alusip managing director, Hans van Vuuren, tells me, "A sudden surge means we'll be selling much less overseas. Exports are being cut back drastically.

He adds that the decision has been made on a R55-million Richards Bay expansion plan. While domestic markets growing rapidly and long-term overseas potential at least optimistic, the go-ahead is probably only weeks away.

He adds that the industry generally has gone from 60% capacity of single-shift working to full utilisation on extended and double-shifts. The only thing holding us back is manpower.

A timely boost from the motor industry's Phase 5 local content programme also looks like diverting a lot of work towards die casters.

The major shift will come from the Industrial Development Corporation-backed Alusip Diesel Engines plant north of Cape Town, which, at full capacity in 1985, will need up to 200 000 locally-sourced pistons (as part from other aluminium components) for 30 000 engines annually.

He says that Alusip's 25% of an estimated R55-million expansion market it shares with Hulset.

Karl Schmidt managing director, Klaus Dauma, says the sub-casting section of the aluminium sector is picking up at a phenomenal rate.

The six-member Aluminium Die Casting Association (Karl Schmidt and associate company HP Die Castings, Dialoy, Luluva, Silverton Engineering and Zonubs Presscast Castings) a year ago had about 10% at a R55-million annual computer market with the remaining 30% shared by other companies that survived a spree of take-overs and disappearances for five tough years.

Value of the total die castings sector has by now probably doubled with much more work expected from electrical industries.
Apex in big expansion programme

IN THE biggest single move yet to a decentralised area, the Apex Group, an expanding steel engineering producer, is spending R24-million in a move from Vereeniging to Ithihebe in Kwa-Zulu.

The seven companies in the R24-million group operate foundries producing iron, steel and non-ferrous products and specialises products that include valves, truck components, mining and agricultural equipment.

The managing director, Johan de Kok, tells Business Times production capacity is being more than doubled — to some 30,000 tons a month from the booming foundries — to meet growing domestic and export demand.

'Ve have been importing 20,000 tons a month of raw materials from the United States. We are now importing only 10,000 tons and are going to be self-sufficient by 1986,' he says.

The group’s turnover has risen from last year’s R27-million and growth to R63-million is budgeted for 1985.

Some 30% of income is derived from exports, which are to be increased to 45% in 10 months.

Current export orders exceed R50-million.

Worldwide, there is increasing demand and decreasing supply for castings,' says De Kok.

'Locally we are experiencing strong demand from mining, motors, agriculture and many industrial projects.'

His subsidiary business started with sales of R1.5 million some 10 years ago.

Two main reasons for the move, he says, are that Ithihebe, near the mouth of the Tugela River, is close to Richards Bay and Durban, and that, while needing a large capital outlay, the industry re labour intensive and therefore suited to a State industrial growth point.

Employment and training will be provided for 1,000 blacks, including about 200 brought with the group from Vereeniging, and 120 whites.

Total employment could rise to 1,000 by the end of 1985.
was followed by Forge Products and Beacon Forge and Engineering.

Both companies were acquired mainly with Marlite shares, the total outlay being R750,000 plus R250,000 over a period.

Still on the takeover trail, Mr Hastam says he will now be looking "at engineering companies with turnovers of not less than R2 million a year."
Business as usual!

By MATHILDA MASIPA

THE Barlow Appliances and Television Company will not withdraw its paraffin refrigerators from the market, said the director and general manager of the company, Mr O M Dinsdale.

The statement follows reports that several refrigerators manufactured by Barlows Appliances and Television Company have exploded and injured several people.

The company has over 100 000 paraffin fridges in the market distributed over 12 years, according to Mr Dinsdale.

"We are certainly not considering withdrawing the refrigerators from the market as we believe there is nothing wrong with the product. Every refrigerator is tested in our laboratory by experts before it leaves our factory," he said.

His belief, however, was that the so-called explosions were genuine accidents caused by wrong usage by consumers.

He could not identify a specific cause because he had not examined the exploded refrigerators.

"We have only been able to examine one so far. Even then we could not establish the cause as the accident happened in December last year. Apart from the fact it had not been properly cared for, we could find nothing wrong with it," he said.

Asked whether customers were instructed properly on the usage of the product, Mr Dinsdale said his company ran product knowledge sessions with salespeople from various traders and the traders were in turn required to pass this knowledge on to the consumer.

Besides, every unit had a docket of instructions sealed in it when it left the company. There was a possibility, however, that second-hand units would not have an instruction booklet.

But anyone who needed an instruction booklet or had problems with his unit could contact Barlows at 788-2340 for help, said Mr Dinsdale.

People known to have been burnt by paraffin refrigerators are Mrs Evelyn Balovi, a Sebokeng housewife who was injured in the face, Mrs Selina Ngweneyi, also from Sebokeng, who was burnt on the face, hands, chest and body, and Mr Albert Ralulum, who was burnt on the arms while trying to rescue her.

Others are Mr Phineas Lediga of Katlehong, Mrs Benita Bengover and Mr Simon Puma of Randfontein, who was burnt in the face, chest, stomach and hands. Mr Puma is still a patient in Leratong Hospital.

A common feature in all affected refrigerators was smoking followed by an explosion.

Mr Dinsdale could not say what the cause of the smoking could be but stressed the importance of adhering to instructions since a blocked chimney (flue) meant the fridge could not work very well.

Mr Dinsdale said the company had asked the South African Bureau of Standards to test its paraffin refrigerators some time ago but this has not been done since the SABS has no specificaton for paraffin refrigerators.

Flashback — the awesome aftermath of a paraffin fridge explosion.
THE fifth takeover in almost as many months has been engineered by the chairman of Morlite, Jimmy Haslam.

The company's latest acquisition involves 100% of the Boksburg-based group Boksburg Foundry and Boksburg Sales.

The foundry companies specialise in manganese steel castings and cost Morlite some R25-million.

Mr Haslam, who owns 40% of Morlite, was earlier responsible for engineering and real estate group Maccabee's zooming rise in profits. Under his direction, Maccabee's pre-tax figures climbed from a mere R14,000 to more than R25-million in some five years.

The new Morlite takeover becomes effective from July 1. Morlite will pay R1,865-million in cash and a balance of R40,000 in 300,000 new Morlite ordinary shares at an issue price of 120c.

Morrise's assets and earnings will not be affected in the virtually past financial year to end-June. But M. Haslam expects earnings for 1980-81 to be lifted by 4c a share and net attributable assets to be boosted by 5c a share.

The Boksburg foundries currently enjoy a turnover of some R3-million annually, with orders worth some R1-million now on the books.

Until Haslam stepped in, Morlite was a beleaguered win.

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Workers face deadline today

JOHANNESBURG — In what is expected to be a crucial day in the Eastern Cape labour unrest, many striking workers in Uitenhage today face deadlines to return to work or be paid off.

Among Uitenhage firms which have issued ultimatums to their workers are the Goodyear tyre plant, with a black and coloured work force of 1,300, and National Standard.

A third company, SKF, is understood to have withdrawn a similar ultimatum.

It is believed over 7,000 workers at 11 factories are still on strike.

Meanwhile, restrictions on the operations of newsmen in Uitenhage have been partly lifted.

This emerged from a meeting yesterday between Brigadier E S J van Rensburg, Divisional Commissioner for the Eastern Cape, and the editors of the Evening Post and the Eastern Province Herald.

On Friday, police declared the whole of Uitenhage an "operational area", which reporters could enter only with written permission and under police escort. Photographers were banned completely from the area.

At yesterday's meeting, Brigadier Van Rensburg said, instructions from police headquarters in Pretoria had been clarified.

Newsmen would no longer be refused permission to work in Uitenhage or the town's industrial area, but the restrictions would still apply to black areas, he said.

- Chances of a settlement at Volkswagen, where the strike wave broke out last Monday, appeared to recede on Friday night when a joint trade-union committee at the plant rejected a new wage offer.
We won't take them back.

Management at the Elandstonium steel factory, where more than 360 workers went on strike last week, are adamantly refusing to re-hire 22 of the dismissed workers.

"They were instigators and responsible for keeping others away from work," said the managing director of Steel Pipe Industries, Mr. D. Barnard, today.

He said more than 250 had returned to work, and another 20, were expected to return either today or tomorrow.

"Mr. Barnard was untroubled by reports that those dismissed were considering legal action for "victimisation".

"They dismissed themselves and we refused to take them back," he said.
Haggie, Iscor's wire giant

By DAVID CARTE

Deputy Financial Editor

SOUTH AFRICA'S largest wire-making company, with prospective turnover of R15
million a year, was formed yes-
terday with the merging of the rival wire interests of Haggie Limited and Iscor in a deal
believed to be worth at least R30-million

The new company is to be
called Consolidated Wire Indus-
tories (CWI) and will be owned
equally by Haggie and Iscor
Limited, the listed wire and
cable manufacturer, which is
controlled 35% each by General Mining Union Corporation and Anglo American Corporation.

The parties are not yet dis-
closing sales, profit or even
the value of the new venture,
but a rough idea of turnover
can be gauged from a statement
that the new company will con-
trol "over half" the R168 mil-
lion, 29.6% of a year wire
industry Industry estimates
are that turnover will top R100-
million

Wire Industries declined to
Haggie in the last six months of
last year gives a vague sug-
gestion of the value of the new
company. This was R475,000
and represented only half the
dividend, which on an annual
basis must have totalled around
R1.500,000

Taking into account earnings
retained and prove-earnings ra-
tion obtaining today, authorita-
tive industry sources close to the
deal say CWI must be worth
at least R50-million

Before the merger, Haggie bought the 50% of Wire Industries it did not already own from Wespro for an undis-
closed sum, taking sole control
for its 50% stake in CWI for all of its mid-wire interests throughout South Af-
rica

The new company will em-
ploy 1,700 people and make
wire and welded mesh for agri-
culture, public authorities, in-
dustry and security, as well as
such diverse products as elec-
tric cable armour and munia-
tion, reinforcing, wire for bolts
and screws and welding, roofs,
slapjags, household utensils and
even supermarket baskets and
trolley

Consolidated Wire Industries
main manufacturing facilities
will be the present extensive
Wire Industries factory at Vas-
dergabjock and the huge wire
plant within Iscor's Pretoria

depot.

This merger will make com-
mpany independent of Iscor
in future

Haggie will manage the op-
erations

The deal suits Iscor, which
sees its main function as manu-
facturing base bulk steel rather
than a semi-territory private
sector product such as wire. It
agrees with Government's un-
derstanding to withdraw as far as
possible from the private sec-
or

More important, Iscor, which
has been short of high quality
wire, will have access to the
port now has access to some of the best private sector
government available

The deal will also be im-
mensely beneficial to Haggie

"We are very excited," says
Haggie chief executive Mr
Richard Savage, "especially
taking a longer

Effectively, Haggie has paid

there will no doubt be some
immediate benefit for earnings
and assets, these are unlikely
to take off immediately as a
direct result of the deal. Other-
wise the share would have been
suspected

Haggie has never consolidat-
ed its 54% interest in Wire
Industries, but in future it will
be too important an asset to
exclude and_antidotes are
that it will be consolidated in
future. This alone should bene-
fit Haggie earnings.

But more important are the
longer-term strategic consider-
ations.

The deal makes Haggie much
less manning and export depen-
dent. Its dependence on manning
has dented its earnings curve
badly in the past. The over-
stretching rand has been a
threat on the export side

The merger diversifies Hag-
gie's product range out of wire
ropes, into such new domestic
marketing growths markets as
cable, building and construc-
tion, security and industry

The rationali-

ization of people, plant, produc-
tion and products will be an-
other spin-off

Haggie and Consolidated Wire Industries will be Iscor's
target single customer, using
300,000 tons of steel a year.

But Haggie and Iscor stress
that CWI, with just over half of
the total mild wire market, will
still have formidable competi-
tors and will be far from a
monopoly

Because it was a share and
asset swapping exercise, the
latest deal hardly cost Haggie a
cost of its large cash holding
and, with R1.5 million of cash
and unused facilities as yet un-
tapped, Mr Savage says Haggie
remains "very much in the
hunt for suitable industrial ac-
quisitions"

So much so that Mr John
Fox, formerly chief executive
of Aboroom and more recently of
Siddles South Africa's big-
gest shoe-making company, has
joined Haggie as group man-
ger, diversification and long-
range planning

There seems little doubt that
disal deal will push the Haggie

share price to levels as yet
uncharted
Motor firms offer ‘huge’ pay rises

By RIAAN DE VILLIERS
Labour Correspondent

THREE Eastern Cape motor employers yesterday offered substantial wage increases to thousands of workers in an attempt to end the spate of strikes and ward off further labour unrest.

Full details of the offer were released in a statement after crucial wage talks between employers and unionists in Port Elizabeth.

Attention has now shifted to mass meetings to be held today when black and coloured motor workers will decide whether to accept the offer.

Trade unionists will meet striking Volkswagen workers today and address a mass meeting of Ford and General Motors workers tonight.

The wage offer was described by an employer source yesterday as ‘massive’. It was also emphasised that it was a final one.

But, it does not immediately meet worker demands for a minimum wage of R2 an hour, and there are still fears that Ford and GM workers could join VW workers on strike.

Meanwhile, workers at all strike-hit firms in Uitenhage, except Volkswagen and Goodyear, were believed to have returned to work. Some firms have been selectively re-employing workers after paying them off.

The motor employers’ offer yesterday entails a series of four six-monthly minimum and across-the-board increases over the next 16 months.

Average wages will rise by almost 20% next month, about 15% in January, 12%-14% in July 1981, and 10%-12% in January 1982, the employer sources said. Minimum wages will increase to R1.40 an hour next month and reach the union demand of R2 an hour in January 1982.

Workers are to receive either the across-the-board increase or new minimum rates, whichever is the greater. Increases in shift premiums, short-time pay and end-of-year gratuities have also been offered.

The immediate increase of the lowest minimum rate to R1.40 will boost the lowest wages at the motor plants to about R263 — higher than the Household Effective Level for the area, which in turn is 50% higher than the Household Subsistence Level (or poverty datum line).

According to the statement, it was agreed that the proposal would be taken back to union members and the council would meet again next Friday.

The council also unanimously called on striking workers at Volkswagen to return to work “as soon as possible”.

Unions would not comment on whether workers were likely to accept the offer.

But it is believed it does not differ substantially from that made to unions at an informal meeting last Friday — which was later rejected by a union committee of Volkswagen workers.

In another development, a meeting of the industrial council, for the tyre and rubber industry yesterday unanimously rejected a wage demand by striking Goodyear workers for a minimum of R3 an hour.

Goodyear will begin re-employing workers tomorrow after paying off all workers who failed to return to work on Monday.

Striking workers at SKF Bearings returned to work yesterday after union negotiations with management.

Workers at National-Stan- dard also returned yesterday after negotiations on Monday.
Steel Producers

Earnings bloom

Last week’s 14½-cent steel price increase sent shivers down the backs of consumers but it has been happily received by the steel producers. Although the annual controlled price review is always the last chance for shippers to reduce their per ton cost increases, the current hike came at a period of rising demand for steel in most sectors; consequently, a large proportion of the increased costs are fixed. Higher throughput is likely to result in better margins this year and in most cases, consolidate recently improved results.

The latest price increase is the twelfth since 1970, before which the last such advance

the growing demand from fast-rising sectors like construction and motors, prospects for the year ahead are good. Ironically, the softening in the wool markets has come at the last possible time. Because higher freight costs and dropping prices are lowering the returns on steel exports, producers are being forced to cut back on their overseas trade. This has hit the export market, in some cases, over 30% of total sales. And this is enabling them to switch supplies to meet growing local demand.

With higher margins in the local market, the substitution should have been highly successful. But producers are faced with other difficulties and the extent to which each company can meet them will depend on its ability to benefit from the current economic upswing. On the other hand, export markets have been established over a number of years and, some argue, must be maintained despite the current low profitability to hold market share.

The proportion of production able to be switched to the local market could thus be limited. In addition, most of the producers are running at 100% capacity, so additional sales will have to be largely at the expense of lower exports. In the short term, growth potential could become restricted.

Increased costs

The industry also continues to grapple with the two problems of escalating costs and possible scrap metal shortages: rising rail and electricity tariffs and soaring wages paid to ‘overcome’ the serious skills shortage. Steel companies are currently running at 10% below capacity, so additional local sales will have to be largely at the expense of lower exports. In the short term, growth potential could become restricted.

Despite these troublesome factors, private sector producers are optimistic about the year ahead. Highveld is the only one which has maintained a steady upward trend even through the lean years of the mid-Seventies. Last year, one of its basic components — steel, vanadium and ferro-alloys — enjoyed the largest increase in value. The 1978 acquisition of ferro-alloy producer Rand Carbide, contributed 1½% to group earnings in its first year of consolidation.

Last year’s turnover of R263m translated into earnings of 40½c. Although 43% of total production was exported, this percentage is being reduced as conditions favour the local market. Nevertheless, the group remains vulnerable to world steel demand. Chairman Graham Boustedt’s forecast for the year to end-June 1980 stresses that the sound start to the year will ensure that profitability is maintained, but that an improvement will depend on a reasonable level of demand from abroad.

Installation of a ninth pre-reduction kiln and the erection of an additional oxygen plant will result in an increase of about 4% in steel and vanadium slag production. Further expansion plans aim to increase annual steel output to 9000 t by 1982, compared to 7022 t last year.

This will maintain Highveld’s position as the largest of the private sector steel producers. With capital commitments of R25m for the year, some of which will be funded internally, and dividends traditionally twice-covered, the payout at year-end could be little more than last year’s R2c.

Steel... optimistic outlook

Total Yielding an historic 4½%, the share already discounts steady profits growth. At a competing advantage with the sponge iron plant, Dunscurt is not heavily dependent on scrap metal for its steel production. Although most of its sponge iron was used in steel operations, a total of 8 000 t was sold to other steel companies, and the possible installation of a second kiln would make larger amounts available to the industry. After-scare metal, sponge iron is currently the second cheapest building block for steel and the gap is closing.

After a downward earnings trend in the early Seventies culminated in a loss in 1977, Dunscurt’s plant was overhauled and there were management changes. Both are now paying off. Turnover for the year to end-December rose 25% to R18,5m, while earnings per share increased from R1.3c to R1.7c with the utilisation of a tax loss. Improved profits have been foreseen for the first six months of 1980, due to being related to the interim announcement on July 18, as once again no tax will be paid.

In this highly capital-intensive industry capex of R7,8m will cover only the replacement of heavy equipment, and the building of a training centre. About R25m needed for the proposed sponge iron kiln would be raised elsewhere. A share option scheme is currently underway to increase the company’s existing R7,5m debt capitalisation. Its debt equity ratio is 71%. If all the options are taken up, the number of shares in issue will increase from 6,8m to 11,1m, affecting both earnings and net asset valuation.

On this basis, last year’s 10c payout appears to be an indication of what this year’s dividend could be on the greater number of ordinary shares. On a probable year-end book of 2,5c per share, a 10c payment would take the share on a prospective 5½% yield.

Although it has diversified into special steel products, which are price-controlled, Union Steel has followed a similar earnings trend. MD Jan de Waal took over in 1976 when the company was heading for a R2m loss. With new equipment, a total of R6m has been spent on turnover in the last three years. The share price has risen from 53c to 13½c, indicating that the group is getting back on to its feet. It has, in fact, been the steel division, rather than copper and aluminium, which has shown the most convincing recovery and is responsible for more than half total turnover.

Last year, the group was listed in FMI’s Top 100 with its impressive earnings growth, but a low base and has yet to prove that this profitability can be maintained. Turnover of R222m (R137,2m) placed it second to Highveld in size, but it paid a final of only 8c, yielding an historic 5½%. As a supplier to both the automotive and engineering industries, the group can anticipate higher earnings this year. But it capex of R0,1m is to be funded internally, and last year’s conservative cover is maintained, prospects of a significantly higher dividend still seem remote.

Deciding which of the three shares is the best has to be hedged? Dunscurt and Union still have recovery attractions for steel and metal engineers looking to longer-term earnings quality may see things differently.

Last year Highveld exported 43% of its steel — and finds scope for boost with expansions by switching sales to the currently higher-margin domestic market. Although vanadium has a poor current outlook, the board is confident that the Highveld is one of the world’s lowest cost steel producers and that its management has demonstrated an ability to cope with market setbacks, and for medium-term investors the share is probably the best bet.
the government in a position with the
industry if it does. According to future's G&M designate Fords Kotte
production costs over which the state
maker has no control have risen
in the last year. The prices of
raw materials, production goods, fuel and
transport are all higher. So the steel price
increases are barely keeping up with
costs.

Iscor is set to show a profit when the
current financial year ends in just under a
week. The first net profit it will have
achieved since 1975. The 1979-80 profit is
estimated to be about R110m and is based
on a 24% increase in local sales over the
year, an improvement in productivity
recovered to have saved the company
about R17m and higher export prices.

Moreover, says Kotzee, Iscor's crip
ding debt burden is being steadily re
duced. Last year, for instance, financing
charges converted a net profit of R103m
into a R35m loss. This burden is a legacy of
the massive expansion programme
announced in 1968. In the early Seventies,
years before the completion of the
programme, the maximum debt ratio was 31%
but it fell to 23% in 1980, still subject to a
disadvantage in the availability of
deficit loans, an increase in domestic
interest rates and accelerating inflation.

The debt ratio was 65% in 1978, 57% in
1979 and is now around 50%, according to
Kotzee. By the end of the 1979-80 year
loans liabilities will have been reduced in a
net R216m compared to a reduction of
R260m in 1978.

Towards a dividend

Further evidence of increasing corpo
rate health is that the government did not
counter the services of debt last
year, after granting R50m in 1978. And its
share capital injection of R106m in 1978
tell to R50m last year. ‘There is a good
chance,’ says Kotkazi, ‘that we will not
have to ask the government for any more
assistance. We are in fact working to-
wards a dividend.’

But he points out, on a total asset base
of R3 000m, profits of R700m to R800m
would be required to be comparable to
private sector targets.

Steel export prices are not taken into
account when reviewing the local price
so domestic consumers do not subsidise
export losses, adds Kotzee. Sales abroad,
which absorbed nearly 40% of Iscor's total
production in 1978-79, dropped to 32% in
1979-80 as local demand picked up. They
are projected to fall to about 26% in 1980-
81, which is not too bad since inter
national demand is weak and export
prices are lower than local prices.

‘We would have earned R200m more in
1979 if we had sold exported steel locally,’
says Kotzee. ‘But we do not lose on
exports. We have never been in a position
where we have not recovered our variable
production costs, plus an appreciable pot

STEEL PRICES

Sanity at last

Prices are across the whole spectrum of the
steel manufacturing industry rose last
week by an average of 14%, accompanied
by widespread reports of inflationary
doom. But in terms of return on capital in
the state-owned steel maker, Iscor, the
rise was modest indeed.

‘Soccer’ spokesmen have said the increase
will affect the consumer price index by no
more than 0.4%. Other economists have
argued that its effect throughout the econ
omy on a wide range of production costs
will be more severe.

The steel price is reviewed annually by
buying organisation for their steelworks and foundries.

We have reached a new understanding with FSD says Harry Bracker, chair
man of the Metal Merchants Association (MMA) which represents the merchant
iron trade. It is with this understanding that we plan to meet the
recently announced higher prices for scrap.

This puts MMA in a good position because, following the latest steel price
increases, FSD and MMA will meet on
July 8 to thrash out new prices for ferrous
scrap. Says Bracker: 'We will have to see
how our customers can pay the higher
prices.'

The crunch came last July when the steel
price rises which followed the fanning of
middlemen's stockpiling of scrap for the
July 8 meeting. This trend continued as scrap
prices continued to rise in line with the higher
costs of steel production.

MMA sells about 1.5m tons of ferrous
scrap a year valued at £75m. Tonnage
growth of scrap is put at about 5% a year.
Steel output is now expanding faster than
the rate of scrap growth, and the increasing
proportion of expected steel is reducing the
supply available for recyling in the near
future. This situation has forced a new
sense of responsibility both in scrap mer-
chants and scrap users.

Our raw material supplies are not
infinite says Bracker and scrap ex-
ports should never happen again.

Scrap users too are realising that to
keep their furnaces going they will prob-
ably have to supplement local scrap with
more expensive imported scrap. Otherwise
like Donsweld, they will have to take
the even more costly route of installing
their own sponge iron plants, or using pig
iron like Stal Metals.

FSD allocates scrap quotas to its mem-
bers and GM Peter van Andel says that
this year everyone is prepared to take
up his full allocation and more...
Revamped Salect pays 2c

SA Selected Holdings, reporting for the first time since the company was restructured late in 1979, achieved an attributable profit of R1 260 000, unaudited for the 12 months to last February. As the contribution from the Intercontinental machine tool and engineering subsidiary covered 14 months, the figures omit turnover and profit of R1 500 000 and R1 450 000 respectively, being that portion derived from the first two months of Intercontinental activity.

Based on the 12-million shares in issue, earnings a share translate to 10c, out of which a 2c dividend has been declared.

Market expectations must have been more optimistic as the share rose to a high of 10c to close at 9c yesterday, which the dividend yield just over 2%.

Because of the restructuring and change of activities within the group, comparative figures would be meaningless.

The chairman, Mr Robert Skok, says group order books are at record levels with a high volume of both domestic and overseas work in hand for at least the next year.

Salect is confident of being able to sell the 70% stake in Sinclair Holdings in the current year Mr Skok says the Sinclair interests, which accounted for a loss of R211 000 for Salect in the past year, are not compatible with the group's other activities.

Moreover, the disposal of this investment will reduce the cost of short-term finance and allow for a more liberal future dividend policy.

The group's move into the Heriotdale premises now virtually complete and the initial integration problems have been overcome.

Overall, Mr Skok believes the outlook for the current year is positive—a minimum 50% improvement in turnover and a doubling of earnings is expected.

The company's annual report will be published before the end of July and will contain a complete review of activities and a specific forecast of earnings for 1980-81.
Gold tops in grand year for Anglo

By DAVID CARTE

Deputy Financial Editor, ANGLO AMERICAN Corporation produced 35% of South Africa’s gold, 33% of its coal and 4% of its uranium in pushing up taxed profit 32% or R104-million to R386.600.000 in the year to March, says the annual report.

Pre-tax profit rose 4% to R385.500.000, earnings a share 39% to 12c, and the dividend 32% to 7c. Had Anglo equity accounted, earnings would have been 20c a share.

The market value of investments rose to R1.600-million (R3.512.000.000), while assets employed totalled nearly R8.000-million. The total market capitalisation of companies administered by Anglo rose to R11.000-million.

Anglo’s own market capitalisation rose 73% to R4.980-million.

Even though all divisions, except level-paggng diamonds achieved very improved results the gold division outstripped all others, contributing 52% of group income, compared to 37% in 1979.

Diamonds were the second biggest profit contributor, weighing in at 19%, compared to 23% in 1979.

Even though Armco pushed up earnings 62% to a record industrial investments contribution fell 11% from 12%. Coal’s contribution also dropped from 9% to 7%, in spite of a 25% rise in Amcoral’s earnings. Finance contributed 14% (1979: 11%), and platinum and other mining 2% (12%) each.

A geographical breakdown of profits shows that South Africa’s contribution fell from 24% to 21%, while the West South African contribution fell from 23% to 21%. The rest of Africa contributed 5% (7%) and North America 4% (6%)

Gold production declined marginally to 260.019 kg, and uranium production rose 25% to 1,146. Working revenue of the gold mines rose 47% to R125.120.000, in spite of increased working costs, working profit rose 78.2% to R374.600.000. Dividends paid totalled R358.000.000 (R194.700.000).

During the year the South uranium plant at Vaal Reefs was commissioned and a R175-million additional shaft system and gold plant at Western Deep Levels was announced. Both the Joint Metallurgical Scheme and Ergo were operating satisfactorily.

While total mine output rose by 5-million carats to 13.500.000 carats, diamond sales by the Central Selling Organisation were about the same as in 1979 — $3.668-million. This was a $46-million improvement in dollars, but a R127-million decline because of exchange rate movements.

While De Beers diamond account income was R112-million lower because of lower stock profits and higher working costs, interest and dividend income compensated and equity earnings at R174.100.000 were almost the same as 1979’s.

In coal the most important development was the securing of contracts to supply two new 1.000 MW Elecom power stations. Sales rose 23% to R36.400.000 and pre-tax profit 25% to R104-million.

Among industrial holdings, Highveld Steel incorporated a full year’s results of Rand Carbide for the first time, lifted earnings 30% to R27.500.000. Scaw Metals, Boart International and Mondi Paper all achieved record results, and Sigma became South Africa’s biggest bicycle maker, selling nearly 59,000 units. A 15% stake in Haggie Ltd was acquired.

The report says mining and engineering studies of the possible exploitation of low-grade gold and uranium deposits in the Pretoria-Dankwater block, north of Free State Santons, are ‘‘far advanced’’, and other Free State prospects are encouraging.

Boreholes are being sunk south and south-west of Vaal Reefs with the aim of confirming reserves. Exploration near Klerksdorp yielded mixed results and further drilling south of Western Areas yielded similar gold values to those obtained previously. But much more work is required to confirm the gold grades of a number of reefs at great depth.

Coal reserves improved in the year, increasing by 996-million tons to 7,700 million run-off mine hours Amcoral’s target of reserves of 9,000 million tons is expected to be met by the end of 1982.

Further encouraging results have been obtained from the copper lead zinc discovery in the Spoornet in South Africa, and further drilling is planned this year.

Anglo increased its stake in Augold from 44% to 48% from Amcor from 44% to 49% and in Australian Anglo American from 29% to 41%. Mainly as a result of the Charter Mine restructurings, the holding in Anglo American of Canada fell to 22% from 39% and in Minoro to 32% from 40%.

Apart from the acquisition of a 12.5% stake in Can Gold, the most important additions to the investment portfolio were a 7-million Rupiah 1,536,600 Shanghi Mining, 800.000 Angols, 1-

1-million November and 400.000 Tongaat. Sales included 1,900,000 Ferroalloys, 1,000 Loratex.

Anglo is being sued with 28 other uranium marketing companies in America by Westinghouse Corporation for allegedly breaching anti-trust legislation. Anglo has refused to take any notice of the suit as it argues that it is not subject to the jurisdiction of the US. It is not perturbed at an injunction not to remove assets from the US, saying it has none there.

The report does not mention it, but Mr Gawain Reilly said at the time of the preliminary report these results were obtained on an average gold price of 930.

The report also does not describe prospects. This is the prerogative of the chairman, Mr Harry Oppenheimer, who reports in August. But with gold still so high prospects can only be brilliant.
Bright for aluminium

Deputy Financial Editor

MR CHRIS Saunders, chairman of Halett and its subsidiary
Hallett Aluminium, tells the shareholders of Hallett that he expects "substantial growth" in aluminium earnings. But he does not make the same forecast in the Hallett annual report.

All he says of prospects is the general upturn in the economy will continue and result in improved earnings for the company's semi-fabricated products.

Although Mr Saunders mentions some pressure on supply of basic raw materials, he does not give an overall earnings forecast in the Hallett Aluminium report.

Reviewing the past year, Mr Saunders says that after a sluggish first half demand improved significantly in the second half, especially for aluminium foil.

Thanks to a favourable change in the product mix and better plant utilisation due to a 45% volume increase in extruded and rolled products, taxed profit rose 39%, to £3,313,000 and earnings rose in line to 11 1/2 (11 5/6). The 10c dividend is at 31% improvement on the 8c paid in 1979.

As a result of the continuing demand for foil, Hallett is considering spending £15 million on a third foil rolling mill.

At 690c, the share yields 6 1/4%, which looks fair value in view of the bright prospects.
Bright for aluminium

Your editorial notes that the chairman of sections of the aluminium industry, Mr. Saunders, states that the outlook for aluminium is bright.

He refers to the fact that the industry is growing and that the demand for aluminium is expected to increase. He also mentions that the prices of aluminium are expected to rise, which will benefit the companies involved.

In addition, he notes that the industry is investing in new technology and expansion, which will further boost its growth.

Overall, Mr. Saunders is optimistic about the future of the aluminium industry.
Union trio claim unfair dismissal

EAST LONDON — Three SATV workers claimed yesterday they were sacked after being accused by management of being "trouble-makers".

But last night the firm's managing director, Mr. Mike Bosworth, refused to confirm or deny the allegations.

Asked about the alleged trouble with his 1,500-strong black staff, Mr. Bosworth refused to comment but said the situation was under control.

The sacked trio — Mr. Xolani Kota, Mr. Sisa Njikelana, and Mr. Nhobela Gaca — alleged they were sacked for their trade union activities and because SATV did not want to recognize their trade union, the South African Allied Workers' Union (SAAWU).

Mr. Kota is secretary of both the workers' committee at the Winnies plant and the Border branch of SAAWU. Mr. Njikelana is chairman of both the workers' committee and the Border branch of SAAWU.

Mr. Kota works as a fault finder, Mr. Njikelana as a radio lab assistant and Mr. Gaca as an operator.

The men claimed that trouble started at the plant when management wanted to have a works liaison committee elected because they were not happy with liaison with the workers.

"They called in 38 senior black staff members to put their proposals to them. But the workers later took a stand that they were satisfied with their workers' committee and did not want a liaison committee.

"Forms were attached to our pay packets about the liaison committee and were to be returned but more than 80 percent of the workers ignored the forms.

"Management then came out against SAAWU saying it was not a registered trade union, and by midday yesterday, the three of us were called individually by Mr. Bosworth and the general manager, Mr. Winkler, and fired."

"This was despite an assurance to the workers nobody would be victimised. Moreover, there was no strike or work stoppage of any sort and we merely talked to some of the workers.

"We view our dismissal as sheer victimisation and have passed on the matter to our union."

The national organiser of SAAWU, Mr. Themamile Gweta, said last night he had informed his head office of the matter and was awaiting further instructions.

"We, however, condemn the actions of SATV as blatant victimisation and demand their reinstatement. As trade unionists, we are fighting for the rights of workers and for better protection against injustices and exploitation.

"I have always maintained with these firms that the business of our union not being registered is not their concern. That is a matter between us and the government and we have already outlined our reasons for not registering," Mr. Gweta said — DDR.
SA's state-owned steelmaker, Iscor, which drastically cut back its capital growth during the 1974-75 recession, is planning substantial investment in ancillary equipment in the next five years, although it is not contemplating additions to basic production facilities.

Some of the amounts which will be involved are R90m for a new sinter plant, R50m for two coke briquette plants, and an undisclosed sum for the expansion of present facilities.

These plans will lift melt steel capacity from the present 7m t to 8.5m t by 1986.

New projects slated are:
- A new sinter plant at its Vanderbijl works at a cost of R90m. The plant should almost double sinter production — bringing it to 13,000 t a day — and will increase the sinter content of raw material fed into blast furnaces from 35% to 80%.
- Sinter ore too fine to be fed into blast furnaces untreated Tenders will go out in October. Construction is scheduled for June 1981, and commission in May 1984.
- The construction of coke briquette plants at Vanderbijl and Newcastle. Tenders for the R50m contract (for the construction of both plants) are being adjudicated now. The capacity of each will be approximately 4,000 t a day.
- Expansion to buildings, facilities and handling equipment at existing mills. Iscor is not in a position to mention final costs yet.

The new facilities are ancillary equipment which will make possible increased production from existing basic capacity.

Divisional GM Willem van Wyk explains: "From 1975 to 1980, we were in a phase in which we concentrated on the optimisation, rationalisation and improvement of all existing facilities — without spending vast sums of money.

"In the phase into which we are rapidly moving now, we still do not intend building basic capacity — such as blast furnaces — but we believe it is necessary to do everything necessary for the improvement of production — and this means the construction of ancillary equipment."

Ore smaller than 8 mm cannot be used in a blast furnace, so a sinter plant enables steelmakers to avoid wastage. Increased blast furnace production is another advantage.

Another good reason for the building of a sinter plant is that SA's coking coal performs poorly in a blast furnace due to the presence of alkaloids. But the addition of calcium chloride to the fine ore being sintered drives off alkaloids and reduces the quantity of alkalis fed into blast furnaces.

Brooking plants increase the block density of coking coal by adding pitch to crushed coal and compressing the coal into a briquette. A larger tonnage is fed into the ovens, which results in a stronger product.

Van Wyk says that when all the new phase projects planned by Iscor come on stream — that is, by 1986 — the corporation's capacity to produce molten steel should increase from 7m t to 8.5m t, an increase of some 20%.

"An increase which we will have achieved," he adds, "without the addition of major basic production facilities."

The Vanderbijl sinter plant, which will measure about 180m by 300m, is aimed at pushing up production for local demand. According to Iscor forecasts, the corporation's share of the local market will easily be able to absorb the increased production of flat products. From 1988 onwards, mainly profile products will continue to be exported.

What about the financing of the new projects, given Iscor's past financial problems?

"We expect to generate the cash ourselves — from internal sources," Van Wyk says. "Our debt ratio is down to 50% and we believe that by next year it will be down to below 45%.

"We think we can spend this money and continue to reduce our debt ratio."
Activities: General engineering, in
cluding the manufacture and suppl
of machine tools and general engi
neering equipment and components
UK holding company B Elliot own
60%.
Chairman, F M Russell
Capital structure: 3.8m ordinary s
7th March capitalisation R9.8m
Financial Year to March 31 1980 Bor
rownos long- and medium-term,
R1.7m Net cash R849 000
Debt/equity ratio 22% Current rati
on 1.7 Net cash flow R24m Capital
commitments R253 000
Share market: Price 250c (1979-80
high 350c low 80c, trading volume
last quarter, 50 000 shares) Yields
7 1/2% on earnings, 6% on dividend
Cover 4.7 PE ratio 3.2

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<td>Turnover (Rm)</td>
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<td>Trading profit (R 000)</td>
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<tr>
<td>Dividends (c)</td>
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<td>5</td>
<td>10</td>
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<tr>
<td>Net asset value</td>
<td>193</td>
<td>172</td>
<td>204</td>
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The sale of specialised engineering ser
services and products is providing healthy
returns for GIC as the growth in the engi
engineering industry gains momentum.
MID Mark Russell has reported that the
current year opened with order books
substantially higher than a year ago. And
unless there is a major economic reversal,
he expects a further improvement in re
results.

The group has strengthened its financial
structure at an appropriate time, as work
ing capital requirements of the trading
subsidiaries are unlikely to abate this
year. Former loan capital of R700 000,
repayable from 1977 to 1993, has been
replaced by new five-year loans of
R1 700 000, repayable from 1984. Proceeds
of the rights issue amounted to R1m and
share capital has been increased by
R585 000 to expand the borrowing capacity.
These arrangements, plus flexible
short-term facilities and sharply increasing
earnings, should enable working capital
requirements to be met.

Substantial expenditure on equipment
and training is reaping rewards in the
specialised product markets of the various
subsidiaries. Strip Steel encountered im
proved demand for its steel products
which are replacing imports and the company
has installed additional annealing capacity.

Keppele Gilbert recorded an outstanding
performance for the year, and is currently
developing the market for numerically
controlled and high production machinery.

The combined resources of Elga Engi
neering and Caxton Engineering also
turned in record results and continue to
increase the proportion of SA-designed
products being manufactured and sold.

Last year's black sheep, Keppele Engineer
ing, made steady progress, and the re
maining subsidiaries turned in satisfac
tory performances.

Prospects for the current year are high
ly encouraging. Last year, second-half
turnover was 27% higher than first-half,
and if this trend continues, this year's
earnings could reach 100c Retentions.
METAL BOX

Realigned operations (89)

Activities: Manufacturer and distributor of packaging containers, closures and components in metal, plastics and board, and of machinery for the packaging and related industries. Stakes and sells precision metal tubing and electrical accessories. Metal Box Overseas (UK) owns 57.8% of the equity.

Chairman: C Callers, managing director D A Jacobs

Capital structure: 25,3m ordinary shares of R1, 500 000 3% red cum prefs of R2, 415m 10.5% div cum red prefs of ½% Market capitalisation: R151m

Funeral: Year to March 31 1980 Borrowings long- and medium-term, R39m - Net cash: R537 000 Debt equity ratio: 44% Current ratio: 2.6 Net cash flow: R11.4m Capital commitments: R12m

Share market: Price: 520c (1979-80 high, 510c low, 290c trading volume last quarter, 126 000 shares) Yield: 9.6% on earnings, 5.8% on dividend (Cover 1.7 PE ratio: 10.4)

RO

Return on cap % 12.2 14.9 19.7 29.0
Turnover (Rm) 55.6 166.4 215.3 273.9
Gross profit (Rm) 11.0 13.4 17.4 28.0
Gross margin % 7.0 8.0 8.2 12.9
Earnings (c) 26.4 27.6 31.4 49.8
Dividends (c) 22.2 22.2 26.3 30
Net asset value (c) 217 231 231 249

Metal Box spent last year selectively divesting and eliminating some unprofitable divisions. It is thus equipped to take full advantage of the rising demand for its products. Despite difficulties experienced in the depressed fishing industry, last year's earnings showed a major improvement. Chairman Mr Callers says of the current financial year that group budgets indicate sustained growth in net operating income, with the past year's rate of increase in dividend being maintained.

The improvement in last year's results has been attributed to a number of factors affecting different divisions. The higher overall gross margin 12.9% (8.1%), achieved in the wake of real volume increases is the most significant. A good fruit crop in the Western Cape boosted sales in the canning division as the group supplies a number of products to the prospering building, furniture and engineering industries, volumes should continue to rise.

On the other hand, the number of competitors will also grow, particularly in the electrical appliance market where many are keen to benefit from the electrification of Poland and other areas. Maintenance of margins depends partly on whether all divisions operate profitably this year. Last year's two of the company's divisions encountered problems. Machinery and engineering, which had expected to become profitable during 1980, halved the previous year's loss to R163 000. However, a number of delayed contracts should contribute towards profits in the current year, in which case the division expects to at least break even.

The food and beverage packaging division decided to close its Walvis Bay manufacturing operations from April 1980 because of the further reduced fishing quotas. Closure resulted in a non-recurring write-off of R164 000.

On a more positive note, the divisions involved in tubing and electrical accessories reported satisfactory growth. Although only 19.3% of last year's pretax profit was attributable to them, forecasts of even higher growth are being made, and the balance in this year's profit mix may well alter. The search for investments yielding at least 25% on total cost continued last year. New acquisitions, Aries Plastics and Quadrastreet, although purchased in the course of the year, had retrospective earnings for 14 months consolidated in last year's accounts. Three months profit from African Detinning has also been included. Compact-It was sold because its industrial waste removal was incompatible with the business of the rest of the group.

The balance sheet has been strengthened by the injection of last year's increased retained, boosted by a R2.3m reduction in stocks, which eroded the Lira base and increased net income by about R1.7m. Loans were reduced by R3.7m, and cash resources after acquisitions increased by R3.5m.

On this basis, working capital requirements for the new year could be funded without strain from internal resources, and the debt equity ratio of 44% (40%) leaves room for gearing to the stated ceiling of 60%. In addition, installation of a can line at Rosslyn at a cost of R14m is to be financed by suspension sale agreements. It seems therefore, that the company should well be able to pay out its proposed 30c dividend on increased earnings and the share, at 520c yields a prospective 6.9% compared to the 5.4% sector average.

Consolidation at 520c has ended, and the share could move to 560c before levelling off. It has already moved up sharply during the year from 300c and as long as industrials continue bullish, Metal Box should go well with them.

Financial Mail July 4 1980
computers

exponential growth

getting a handle on the size of the SA computer business has never been easy. Foreign companies control something like 95% of the industry, and they are never prepared to disclose details of their local turnover.

but official import statistics show that the growth of the business is on an accelerating path. the FOB value of computer hardware imports rose by 42% last year (compared with 1978) to just under R145m. growth in 1978 was 38% and in 1977 it was 14%.

what those FOB figures are worth in the marketplace is a matter for conjecture, but it would not be stretching a point too much to double them to cover freight costs and suppliers' profit margins. that would put a value on the marketplace last year of R290m, although some estimates are as low as R255m.

of course, this still represents only a portion of the annual expenditure on computerisation. for example, the wage bill for the 22,000 people in the industry is estimated by don gray of computer personnel, the staff placement organisation, at R165m a year.

there are also the inputs of the computer service industry (worth an estimated R75m a year), software (which accounts for anything between 10% and 25% of total data processing costs), and maintenance. Some of these items overlap, however, making it difficult to arrive at a global industry figure. Thus much (but not all) of the software costs are included in wage costs.

Additionally, the hardware figure does not include such peripheral business as electronic cash registers and computer-linked point-of-sale terminals, or parts and accessories.

computer sciences executive chairman morris cowley estimates that hardware represents only 40% of the total turnover of the data processing industry, the rest being made up of staff, premises and software. that estimate suggests that the total amount of money now being spent in the industry in SA is R700m a year.

another way of looking at the industry is the value of the installed base. the computer survey conducted by the department of statistics put the value of equipment purchased outright (generally, minicomputers) at R164m in mid-1977, and the total monthly rentals paid at R5,5m.

assuming a 45-month pay-back period for the hardware, and deducting 20% for maintenance, this would put the value of the installed base of rented equipment (generally comprising bigger systems) at R308m.

the growth rates shown between 1975 and 1977 were 22% for the rented equipment, and 41% for the other. at these rates of growth, the installed base now, three years later, would be R580m for rented equipment, and R435m for purchased equipment, making a total of R995m.

there appears to be no let-up in growth. ICL, the country's second biggest supplier in money terms, which experienced a slowdown in growth from a 50% average over the previous five years to 25%, is trending upwards again. according to GM Tony wetton, burroughs number three in the market, saw sales rise 48% last year, and in the first half of 1980 has experienced further growth of 56% over the same period of 1979. NCR is expecting to match its 28% growth of last year. the small companies, growing at lower bases, are doing even better in percentage terms.
HULETTS Aluminium Limited is to embark on a major expansion programme to their aluminium foil plant in Pietermaritzburg.

The company is to spend R7.5 million on new equipment which will increase production of aluminium foil by 80 percent in order to meet the anticipated market demand to the end of the decade, according to managing director, Lou Sennet.

Cost of the project will be met from existing resources. The work is expected to be completed by early 1982. The expansion programme involves the installation of a new foil rolling mill which will complement the company's two existing foil mills. Work is expected to begin shortly.

The demand for foil products is increasing rapidly in South Africa as the food industry realises their potential for packaging of countless varieties of food products.

The aluminium foil market is growing at a rate faster than the economy. A new plant will place Hulett's Aluminium in a good position to meet the increased demand.

A member of the Hulett's Industries Limited group of companies, Hulamin has its main plant in Pietermaritzburg. As Alcan Aluminium of South Africa, the company started production of sheet and foil in 1949. Since then the company's history has been one of continual growth in both production and sales.

Hulett's acquired a 60.8 percent interest in the company in 1974.

Hulett's Aluminium annual sales now exceed R120 million, and its profit after tax last year was R6.3 million.
Multinationals give the lie to Iscor price fears

THE GROANS of despair from consumer commentators and the fits of hand-wringing and teeth-grinding by manufacturers that greeted the increase in Iscor's steel prices two weeks ago were somewhat misplaced. If one of our most pronounced economic trends is anything to go by, the trend is that this country is becoming one of the most popular export platforms in the world. And one of the main reasons for it - one which will confound the hand-wringers and teeth-grinders - is the comparatively cheap steel available in South Africa. It is making our high steel-content manufactures irresistibly competitive in surprisingly prosperous parts of the world.

It is also drawing to the attention of the world's major multinational corporations the profitable possibilities of establishing subsidiaries here, which could cash in simultaneously on the domestic economy as it expands by 5% a year, and on the low input costs for cheap underwriting exports.

So even if steel has gone up 14% this year - which, after all, is only the rate of inflation - it still makes the manufacture of steel-content hardware here a distinctly more cost-effective procedure than it would be in any of the contracting Western economies.

Traditional export platforms have been countries like Brazil, Mexico and Nigeria in times when the attractions of South Africa were marked by greater efficiency and less labour trouble in the industrial West and South Africa's own internal uncertainties.

But the successive recessions which have lowered such a desirable one-two combination to a nought in many countries has already bred the steel price quintupling have altered the comparative advantage that used to prevail in the North-South relationship.

Now South Africa rates more serious consideration from the multinationals - and is getting it.

The classical export platform in the developing country which hosts subsidiaries of West European and American multinationals often with concessionary rates of taxation, rebated development costs and eased infrastructure regulations.

The subsidiaries then take further advantage of the other economic features usually found in developing countries - their cheap labour, land, raw materials and - more often than not - capital. These combined cost savings enable the subsidiaries to manufacture the same amount of output for less input than is required in a second country.

The logical next move, and one which is encouraged by host countries because of the subsequent balance of payments benefits, is for the subsidiary to export to the country of the parent company.

Transport costs, which are usually appreciable because of the distance underdeveloped host countries are from the world's major markets, still leave the export platform - produced import competitive with goods of the same type produced in the importing country.

South Africa is becoming a booming export platform for several European car manufacturers, principally BMW and Alfa Romeo, once manufacturing expansion proposals now planned by the two companies are on stream.

BMW SA is set to become the pioneer motor component export platform for West Germany and already exports fully made-up cars to its parent country.

From BMW SA's 12 000 units a year output, nearly 2 000 cars are exported, and the accommodation of exporting into the component field is expected to take place as the domestic local content rates increase the locally manufactured component requirement beyond the present 6%.

Alfa Romeo plans to increase its annual production from 6 000 to 20 000 cars by 1986, with more than 70% of the increased production going into exports.

Existing economic circumstances already make it financially worthwhile for each company to export to its parent country, but the two manufacturers are still seeking to underpin their expansion plans with further guarantees of export assistance from the South African Government.

Transport costs are said to be the stickiest issue, with current State export rebates failing to cover even overnight.

From cars, the export platform fashion is now catching on in mining machinery. Subterranean from SA is exporting box-hole and tunnel bores to the United States and has put its parent company, the original Subterranean, out of business through the competitiveness of its South African-made product.

Subterranean's Germiston plant has produced the machines, which cost between R150 000 and R200 000, at between 15% and 20% less net cost than Subterranean's Breckenridge, Texas plant, which has consequently closed down.

The subsidiary now exports a tunnel or box-hole borer to the United States at the rate of one every three months, and also exports machines to Italy and South America.

Subterranean estimates the pre-1981 cost advantage of its machines to be about 30% over the equivalent United States production costs, but the transport costs for heavy mining machinery cut this down.

But it is still notable that automobiles and heavy mining machinery have a high steel content, and executives readily acknowledge the importance of the steel price advantage in their effectiveness as export platforms.

Even if Iscor matches the CPI point for percentage point for the next five years, that price advantage over the contracting steel industries of the industrial West is unlikely to recede.
Now 200 on strike at NCI

ABOUT 200 workers at National Converter Industries (NCI) in East London downed their tools yesterday following the sacking of the chairman, secretary and a shopsteward, all members of the South African Allied Workers Union.

The managing director of the firm, Mr Gerdau, refused to comment. He said NCI was a private company and whatever happened within the premises had nothing to do with the Press. He then banged his telephone.

The workers said the trouble at the firm started after they had elected their works committee members, who are members of the SAAWU.

Management asked the workers instead to elect a liaison committee which they turned down, the workers said.

On Monday three members of the workers committee were fired on the grounds that they were "working against the interests of the company."

The workers have made four demands:

- The recognition of their trade union (SAAWU) committee
- Reinstatement of the dismissed workers committee members
- Reinstatement of all the dismissed workers
- There should be no loss of remuneration.

The national secretary of SAAWU, Mr Thozamile Gqwela, said the matter was receiving the union's attention. He said while the union was playing cards close to their chest at the moment he would like to remind all the employers and managers of Prof N Withuhn's recent statement that trade unions were a part of the industrial community and attempts to ignore them were counter productive, short sighted and stupid.
200 workers claim
guard sacked them

EAST LONDON — More than 200 employees at a factory on the West Bank here claim they were fired by a security guard when they turned up for work yesterday morning.

They said they were dismissed a day after three trade union committee members at the factory, National Converter Industries, had been fired for allegedly working against the rules of the company.

The managing director of NCI, Mr H Gaertner, would not comment on the matter yesterday.

He said he would speak to the Daily Dispatch reporter when he wanted to do so.

Workers said a misunderstanding seemed to have arisen after the names of a workers' committee elected by the company's employees and affiliated to the South African Allied Workers' Union (SAAWU), had been submitted to the factory's management.

They said they were told by the factory manager, Mr Isherwood, on July 2 that they should elect a liaison committee.

The workers rejected this.

They said that on July 3 Mr Isherwood was reminded by the workers that they wanted recognition of the workers' committee submitted to him.

Mr Isherwood then allegedly told them his word was final and he would have nothing to do with an "outside committee."

Mr Isherwood had then given them an ultimatum to elect a liaison committee by July 7 failing which he would take further steps, the workers claimed.

"On July 7 at 4:45 pm Mr Isherwood called the chairman, secretary and shop steward — all members of the workers' committee — and told them they were fired because they were working against the rules of the company," a worker said.

When the workers reported for work yesterday morning they claimed a security guard, Mr Benito, told them only cleaners should enter the premises and all others should remain outside the gate.

They said the cleaners did enter the premises but refused to work because they wanted to know why the others were not being allowed to enter.

Mr Benito is then allegedly told some workers, one by one, they were fired and after some time told all those outside the premises they were fired.

Mr Gaertner's reaction to a call from a reporter was: "I do not know you have no comment to make. This is a private company and has nothing to do with the press."

When the reporter offered to go and see him in order to identify himself, he said: "No, I will be contacting you when I want."

— IBB
Extra payout for blast dependants

By Elizabeth Wilson

A sum of £40,000 is to be paid out by Supreme Metals as "extra compensation" to families of 12 workers killed in an explosion which wrecked an aluminium processing plant in March last

Mr S F Malan, managing director of the company said this week families of the dead men were receiving benefits at twice the men's annual pensionable salary

Each would receive workers' compensation — calculated on the number of dependants and years of service

One family, Mr Malan quoted, would receive a death benefit from the pension fund of £4,550

This would be increased to £9,070 by the company and workman's compensation

An inquest, which heard too late evidence, has been postponed to August.
Workers still barred

EAST LONDON — The more than 200 workers who said they had been dismissed by a security guard at National Converter Industries on the West Bank here on Tuesday were still barred from the company's premises yesterday. They said they reported for work early yesterday and the security guard, Mr. Benito, again told them they should keep off the premises.

They said they would be going to the factory again at 7:15 am today to present a letter in which they list their demands to management.

They want to present the letter to Mr. H. Gaertner, the managing director.

Mr. Gaertner again declined to comment on the work stoppage yesterday — DDR.
Nat Trad ahead at halfway

Deputy Financial Editor
NATIONAL TRADING Com-
pany, the engineering and
building products distributor,
pushed up pre-tax profits 62% to R3 497 000 (1979 R2 410 000) in
the six months to the end of
June and forecasts that present
trends will continue until the
end of the year.
The company needs to make
only another R1 200 000 to equal
last year's pre-tax profit of
R4 725 000, which itself was a
spectacular recovery and a
record.

Taxed attributable profit was
47% better at R2 120 000
(R1 440 000), and earnings a
share were 48% ahead at 35.1c
(23.7c). The interim dividend
was raised 33% from 6c to 8c.

In order to increase working
capital the company’s Prospec-
tion property has been sold for
R3 500 000.

If this pace is maintained, an
forecast, NTC should earn 75c
and pay a total of 27c for the
year. The historical yield at
40c is 5% and the prospective
yield 8%, which looks fair
value.
Armscor happy with its weapons

THE South African ground forces in the recent overland attack to destroy Swapo bases in Angola had been almost entirely equipped from South African sources, Commandant P G Marais, chairman of Armscor, said in Johannesburg yesterday.

Addressing military correspondents in a largely off-the-record briefing at the Press Club of South Africa, Cmndt Marais said the South African vehicles, arms, communication facilities, ammunition, clothing and other equipment, had withstood the test extremely well.

Dealing with the effects of the United Nations arms embargo on South Africa, he said of the Angolan incursion: "It was an operation over long distances with no roads and covering difficult terrain. It was a thorough test for the Armscor equipment and reports we have received show we have reason to be proud of our achievements."

Cmndt Marais disclosed that certain items of equipment seized from Swapo on the recent Angolan raid had proved to be unknown and "of interest" to Armscor.

Armscor was now investigating all previously unknown equipment which was captured to see if they could be made in the Republic.

It had done this earlier in developing the recently-announced South African multiple-launch artillery rocket system. The system was similar to those captured from Cuban forces (the Russian so-called Stalin Organ) in the earlier incursion into Angola and which the SA Defence Force had found at the time to be ideally suited for use in bush warfare.

"The artillery rockets we have since developed are very much better than those we seized at the time," Cmndt Marais said.

Cmndt Marais said feedback from operations like the recent one against Swapo bases was constantly being used to improve locally-produced defence equipment.

For this type of operation, South Africa was now virtually self-sufficient in producing the arms and equipment it needed.

In addition, Cmndt Marais said, South African-developed equipment was more suitable and adapted to conditions in Africa than similar equipment used by, for instance, the North Atlantic Treaty Organization nations. — Sapa
A WARRANT was issued against one of the 55 workers charged in the Boksburg Magisterial Court for illegal striking yesterday.

BY MARAVISE

The strikers appeared in court today. Mr. G. van Wyk and his case was postponed to another date. They are out on bail and it seems that the strike will come to an end.
Families of explosion victims get compensation

A sum of R40,000 is to be paid out by Supreme Metals as an "extra compensation" to families of 12 workers killed in an explosion which wrecked an aluminium processing plant in Industria in March.

Mr S P Malan, managing director of the company said yesterday families of the dead men were receiving benefits at twice the man's annual pensionable salary.

Each would receive workmen's compensation — calculated on the number of dependents and years service. Study and loan facilities would be provided for pre- and post-matric dependents of the dead men, he said.

He added that of families were seen to be experiencing difficulties further payments could be made by the company according to its discretion.

Of the nine men injured in the blast, eight are back at work.

Mr Enos Morokane, who was seriously burned, was discharged from Coronation hospital last week.

An inquest, which heard two days' evidence, has been postponed to August 6.

Guo, Ta's, Insurance, Liverpool
SHIPPING

In the doldrums

SA's ship repair industry has fallen on hard times, and the main reason cited is Nigeria's refusal of docking facilities to ships that have called in SA ports - whether for repair jobs or to pick up supplies. Several other factors are playing a part:

1. The 1974 ban on business - caused by the closure of the Suez Canal - gave the industry a boost. Now it has to go down to a lower level of business.
2. Fewer ships plied the Cape sea route than did in the past largely because of a slowing down of oil sales.
3. The restated sea route will be able to cope with heavy sea traffic the canal's capacity is 160 000 t for fully loaded vessels, and 250 000 t in ballast.

But, however covertly, many countries still use local repair facilities, which European research has classed among the world's best. Among them Poland, Kuwait and Iraq, while Britain, Western Europe, Scandinavia and the Far East all feature among regular clients.

We can't call all of them captive customers. Bob Hughes, MD at Globe Engineering Works, Cape Town's biggest ship repairer, said this week: 'There is no doubt that some ships used these ports because they had to.'

A member of the Anglovaal group, Globe makes use of televised scan-survey of ships in wet-docking, eliminating enormous dry-docking costs.

But, said Hughes, it isn't only the sophisticated equipment in local use that attracts foreign shipping companies. Prices are also extremely competitive. At last year's assessment only Hong Kong was cheaper than Cape Town and Durban, which were both on a par with Singapore, the world's fastest growing commercial shipping repair port.

'We're doing quite well,' says Trevor Jackson, MD of Dorman Long Swan Hunter - part of the Dorbyl group and Globe's chief competitor.

Smaller specialised companies, such as Fretts, felt the slump less than the bigger ones. Says the company's marine manager, Helmut Sabel: 'We are no longer waiting for the tankers. The concept of our business has changed in the past six years, and we now go for greater specialisation. Apart from its growing role as a manufacturer of sophisticated equipment, we also deal in electrical repairs.'

Almost all the Cape Town companies have had a share of business from the Chinese shipping tycoon, Y.K. Pao, who agreed that ships from his massive tanker fleet should be repaired in Cape Town rather than lie at anchor in the Persian Gulf.

Can SA companies handle repair work clandestinely? 'We've thought of just about every method of getting round the problem,' says Bob Hughes. But it's not easy.
Financial: Year to March 31 1980
Borrowings net short-term, R14 700
Debt/equity ratio 0.2% Current ratio 2.3 Net cash flow R782 000 Capital commitments R71 000
Share market: Price 300c (1979-80 high, 300c, low, 200c, trading volume last quarter, 39 000 shares) Yield 12.5% on earnings, 7.7% on dividend
Cover 1.6 PE ratio 8

Return on cap % 77 78 79 80
36.9 28.6 22.7 26.3
Turnover (Rand) 196 178 196 208
Pre-tax profit (Rm) 2.7 18 1.8 2.4
Earnings (c) 45.2 31.8 30.6 37.0
Dividends (c) 20 20 20 20
Net asset value (c) 193 207 219 242
* Base 1974-76

Unless LMIM moves away from its normal conservative approach to debt financing, near-term earnings growth could be constrained. Despite last year’s earnings rise, dividend cover was increased to “allow the company scope to adapt to changing requirements in order to maintain its position in the industry.” Such a policy is unlikely to continue as chairman Tony Charles concedes that the company may well be geared up if the need arises. In this event, payout prospects could be encouraging.

Last year, the economic revival improved demand in the repair industry resulting in a 10% increase in turnover for the year (excluding results from the Zimbabwe subsidiary). Although this trend is expected to continue this year, staff competition and rising costs may well affect margins. Charles predicts that the worsening skills shortage could be an even greater threat to earnings, even though all branches are training staff as fast as possible.

No changes occurred in the nature of group activities, but the contribution from different sources altered slightly. Repairs increased to 80% (75%), manufacture of components for the repair industry to 11% (10%), while manufacturing and other dropped to 9% (15%). Profits earned in Zimbabwe remained unconsolidated for the second year, but although it is hoped that the current year may see the release of the dividends earned from the subsidiary, the chances are slight.

Last year’s tax rate was reduced by a one-off allowance and a prior year’s tax adjustment boosted attributable earnings from the stated R1,5m to R1.8m. Nevertheless, net cash flow of R1.1m appears insufficient to service working capital requirements this year, as the company makes use of heavy equipment in its repair services. With a five year history of return on capital not lower than 23%, it would pay the company to finance this year’s expansion with loan capital.

The balance sheet remains strong, still showing no long-term debt, but the interest bill of R65 000 indicates that short-term borrowings have been higher during the year than the amount of R50 000 reported at year end. As the company is eager to expand its activities, loan finance could increase sharply this year if a suitable acquisition opportunity comes up.

Once again, earnings from the Zimbabwe subsidiary have been excluded from the accounts as income could not be remitted to SA. As this company is the only major subsidiary of the group, exclusion of its profits is fairly significant. The situation is unlikely to alter substantially in the coming year, but if it does, dividend income at least may be forthcoming to boost earnings.

Charles confirms that order books look promising for the new year and is hopeful that trading results will again show an improvement. If payout is increased to a possible 32c, this would put the share on a prospective yield of 8.3% on this basis, the share has upside potential.

Roma Halbe

I.H. MARTINHUSEN

Gearing needed?

Activities Repairs of heavy electrical equipment, specialising in providing emergency breakdown service for the mining industry. Manufacturer of transformers, rotor coils, insulators and generators. Spencer African Holdings has 50.3% of the equity and ultimate holding company is General Electric (UK)
Chairman A.L. Charles, managing director I.S.D. Teule
Capital structure 1.4m ordinary shares of 50c Market capitalisation R10.2m

Financial Mail July 11 1980
MULETT'S ALUMINIUM

Cautious forecast

The company manufactures and sells semi-fabricated aluminium sheet, foil, and extrusion products, aluminium overhead conductor and aluminium paste holding company. Mulett's owns 60.8% of S & T Investments, the ultimate holding company.

Chairman C J Saunders, managing director J S L Semnet

Capital structure 7.3m ordinary shares R15m

Financial Year to March 31 1986

Sales turnover (H1) R15.9m, net short-term, R5.2m

Debt equity ratio 56.6%, Current ratio 1.7

Net cash flow R2.8m Capital commitments R2m

Share market Price 600c (1974.80 high, 600c, low, 360c, trading volume

last quarter, 5000 shares) Yields
12.4% on earnings, 6.6% on dividend
cover 2.1 PE ratio 8.1

Return on cap 3.6, Turnover (H1) 62.8, 67.6, 67.0, 106.8

Provision for tax 4.6, 4.6, 4.7, 6.6

Profit margin % 4.6, 5.6, 10.4, 11.7

Earnings per share (H1) 46.8, 64.4, 55.3, 74.4

Dividends (cts) 24, 25, 27, 36

Net profit (H1) 461, 525, 558, 593

Halifax's 30% earnings increase last year was reported after adjustments for inflation and floor valuation, and confirms that the group has performed well in real terms. Its level of order intake followed the general upward movement in the economy with little or no growth during the first two or three quarters, and a significant demand increase in the final months. Vice-chairman Norman Duncan is predicting lower growth this year but as the group has a dominant market share in two of its three major products results are likely to be highly satisfactory.

Halifax is optimistic about demand for its aluminium products towards the year's end, but is put pressures on supplies, forcing the group to import aluminium at a marginally higher cost but with the likelihood of demand growth. The group's current stock position is satisfactory, and although its performance is expected to continue in the first quarter of the year, the outlook for the second half is considered to be promising.

Despite slight difficulties encountered in coping with the economic upswing, the group's turnover figures were 20% higher in the second half of the year and earnings margins were achieved due to favourable changes in product mix and the higher use of plant capacity. In addition, the group's net profit fell by R200,000 to R1,500,000, and cost increases on raw materials and wages, which is likely to affect earnings, were largely passed on to the consumer.

This year, group prospects are partially dependent on overcoming supply bottlenecks. As the group has 30% of the extended product market and 20% of the cable market, it must benefit from sustained demand in most sectors. On this basis, Duncan is predicting a 10% growth in sales as opposed to last year's 12%. The cable division, which supplies mainly overhead cables, will not benefit from the widespread electrification projects of low economic areas, but building needs could boost demand for most of its products.

Duncan is hopeful that profits will at least rise by the same percentage as sales but a number of factors mitigate against this.

As the sales growth predictions are conservative, it appears that earnings could reach R10c this year, with a possible two-cent-covered dividend of 4c.
American Corporation's Computer Sciences Messina Electronics, part of the Altotech group, manufactures the Communicator process control mini-computer. Recent orders worth R600 000 include a system to control temperature in fermenting vessels at a brewery.

SA Company Systems, a market leader in the computer industry, has experience and success in the design and manufacture of mini-computers. The company's recent projects include the design and manufacture of a mini-computer for a major South African bank.

The billion rand baby

Some time this year the value of the industry's share of computer equipment in SA will pass the R1 billion mark. It is estimated that this will happen in the second half of the year. The market is growing steadily, with the bulk of the growth coming from the government sector.

It is estimated that the market for mini-computers and microcomputers in SA is growing at a rate of about 15% per annum. This growth is expected to continue at a similar rate for the next few years.

The industry is highly competitive, with many companies vying for market share. The market is dominated by a few large companies, but there are also many small companies entering the market.

The demand for mini-computers and microcomputers is expected to continue to grow as more industries become computerized. The market is expected to reach a value of R2 billion by 2010.

The industry is also expected to see a shift in focus from hardware to software, with a greater emphasis on developing software for specific applications.

It is clear that the computer industry will continue to grow in South Africa, with many opportunities for companies to enter the market and for existing companies to expand their operations.

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SA COMPUTERS

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It is clear that the computer industry will continue to grow in South Africa, with many opportunities for companies to enter the market and for existing companies to expand their operations.

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Sights are set on an annual growth rate of 50%, says Kyre, based on "opportunities in the market, our product skills and track record, and the fact that SA companies as a whole still have a relatively small share of the total market."

Up to now, computer companies in SA, whether locally or foreign-owned, have been based on what Kyre calls the "front end" of the business — marketing and support. A fully rounded company, need in addition, to tackle the "back end" of research and development, and manufacturing of both software (the bigger portion) and hardware.

"Software is a highly proprietary industry — it is what gives a company its competitive edge. If companies were to develop a computer competitive with some leading international product, we could not use it effectively without the software."

"That is the Catch 22 of the local industry. The multinationals may be pre pared to make some vague promises of local assembly, but are not really interested in transferring technology to SA in a permanent and unrestricted manner."

So what is SA's best option? "Certainly, we have to move into areas other than military applications," says Kyre. "Our 'Persus' local content programme will be aggressively expanded into products which can be widely used in SA terminals, data communications, peripherals, high precision microprocessor-based mechanical fabrication techniques. The route to this will be technology licensing through agreements with international partners."

In addition, Kyre foresees Persus hitting the acquisition trail to complement...
MITCHELL Cotts has acquired the total share capital of Lockload Safety Products (Pty) for R500 000 cash. Lockload is a Vereeniging-based company specialising in the design, manufacture and distribution of safety products — Sapa
EAST LONDON — A total of 125 men and a 17-year-old youth appeared briefly in a special magistrate's court at Cambridge police station here yesterday charged under the Riotous Assemblies Act.

The men and the youth, who were arrested near a factory on the West Bank, appeared before Mr N R Govuzi.

They were charged with attending a gathering of more than ten people which has been prohibited in terms of a government notice of June 27, published in a Government Gazette issued on June 30, 1980.

No evidence was led.

They were not asked to plead and were remanded in custody to appear in court on Wednesday, July 16.

All the men are believed to be employees of National Converter Industries who were refused entry to the company's premises this week following a dispute over the operation of a trade union committee on the premises.

They are Mr Bensmot Goya, 60, Mr Thandiwa Rambuzi, 23, Mr Zidile Richmond Nyanza, 22, Mr William Mzimkulu, 28, Mr Peter Salmon, 24, Mr Albert Mzimkulu, 22, Mr Martin Nyanza, 22, Mr Wilson Hwili, 20, Mr Mthethwa Norman Musi, 23, Mr Andile Augustine Ntshabu, 22, Mr Ashton Xilu, 25.

Mr Mongesi Sinyo, 25, Mr Loyiso Sibasa, 20, Mr Welcom Diko, 21, Mr Sizwebo Mzimkulu, 27, Mr Waffle Nyanza, 29, Mr Samuel Gwengwe, 25, Mr Cyril Skukuza, 22, Mr Ngqamoyo Bomu, 22, Mr Michael Sika, 27, Mr Cameron Nquldle, 29.

Mr Herbert Jali, 40, Mr Lungcisi Nyanza, 24, Mr Stemile Nyanza, 23, Mr Tendai Nyanza, 40, Mr Ernest Dikhu, 20, Mr Headman Manyakwa, 40, Mr Bonolo Nkosi, 20, Mr Samuel Nkosi, 20, Mr Mawalele Futhani, 23, Mr Lawrence Nkosi, 20, Mr Howard Mlindi, Sika, 25.

Mr Alfred Rambulo, 23, Mr Edward Kaya, 40, Mr Jacob Nqabu, 40, Mr Nkosiwe Diko, 20, Mr Mitchell Saka, 27, Mr Motsholetse Ruti, 20, Mr Nkosiwe Kebeka, 21, Mr Lawrence Mntau, 21, Mr Fumotse Mntau, 21, Mr Mandlukul Nqula, 24, Mr Alfred Gwens, 25, Mr Benjamin Mntau, 24, Mr Menoni Matloune, 21, Mr Eric Yim, 42.

Mr Thandiwa Rambuzi, 49, Mr Nomrman Nkala, 28, Mr Miamal Nyanza, 23, Mr Alphonce Gwenda, 33, Mr Matthews Sintsele, 33, Mr Mthethwa Sibika, 30, Mr Mthethwa Nyanza, 27, Mr Mthethwa Gwenda, 25, Mr Mthethwa Kasa, 20, Mr Walter Kasa, 20, Mr Tembusheni Gwenda, 25, Mr David Nkala, 28, Mr Richard Gwenda, 49, Mr Michael Nkala, 39, Mr Sandile Vika, 25, Mr Alfred Gwenda, 49, Mr Desmond Mntau, 42, Mr Wellington Ramun, 28, Mr Sithembole Nkosi, 23, Mr Mthethwa Mntau, 28, Mr Dlomozele Kwellimfene, 44, Mr Christopher Nkala, 46, Mr Sizwebo Mntau, 30, Mr Mthethwa Mntau, 22, Mr Joseph Nkala, 29, Mr Tarry Tshimunka, 21, Mr Lunga Mphakalima, 21.

Mr Nkala Nkala, 28, Mr Sitko, 25, Mr Mphakalima, 40, Mr Lazarus Mntau, 25, Mr Willie Sintsele, 62, Mr Gilbert Mntau, 23, Mr Willi Mntau, 28, Mr Richard Nkala, 23, Mr Desmond Mntau, 23, Mr Sizwebo Mntau, 46, Mr Mphakalima, 30, Mr Mthethwa Mntau, 29, Mr Freeman Nkala, 28, Mr Madoda Gwenda, 24, Mr Nkala, 39, Mr Linda Sintsele, 27, Mr Maximo Diko, 26, Mr Ephraim Sibika, 26, Mr Memeka Nkala, 27, Mr Hamilton Fikiri, 26, Mr Luseke Gwenda, 35, Mr Maximo Mntau, 40, Mr Matthew Mntau, 25, Mr Robben Mntau, 42, Mr Daniel Mntau, 23, Mr Tshimunka, 26.

Mr Khululekile Rambulo, 23, Mr Bonolo Gwenda, 22, Mr Mongesi Sinyo, 25, Mr Mthethwa Nkala, 28, Mr Johnson Mntau, 34, Mr Elliot Sibika, 29, Mr Hamilton Mntau, 34, Mr Zolani Sibika, 23, Mr Stanley Sibika, 22, Mr Maxwell Diko, 24, Mr Samanci Sintsele, 29, Mr Alfred Daniel, 23, Mr Tembusheni Gwenda, 20, Mr Dlomozele Mntau, 33, Mr Desmond Mntau, 25, Mr Mphakalima, 34, Mr Albert Mntau, 20, Mr Mthethwa Mntau, 28, Mr Siwatu Diko, 28.
Police arrest striking border workers

PRETORIA — Police arrested 128 people after about 200 workers at a border factory went on strike yesterday and tried to intimidate others into joining them, according to the Police Public Relations Directorate. The Cape Times correspondent reported from East London that a total of 125 men and a 17-year-old youth appeared briefly in a special magistrate's Court at Cambridge police station yesterday on charges under the Riotous Assemblies Act.

The men and the youth, who were arrested near a factory on the west bank, appeared before Mr N R Ooehuyzen.

They were charged with attending a gathering of more than 10 people which has been prohibited in terms of a government notice of June 27. No evidence was led. They were not asked to plead and were remanded until Wednesday.

All the men are believed to be employees of National Converter Industries who were refused entry to the company's premises this week following a dispute over the operation of a trade union committee.

Queenswood

A situation report issued in Pretoria yesterday by the directorate on the unrest in the country said that about 50 pupils at a school in Queenswood set ablaze school desks dragged from their classrooms. Police arrested 25 youths.

No serious incidents were reported in the Northern Transvaal, but police were investigating the theft of keys from five schools in Atteridgeville.

At Mamelob, near Pretoria, a night watchman was overpowered and the keys to a school building were taken from him.

The directorate said that in the incidents in which the police were involved, only batons were used and in some cases dogs and teargas were ordered.

Ordered

The principal of the Hlokweni High School in Atteridgeville, Mr Joseph Mekana, has been ordered to stay away from the school for his own safety.

The regional director for the Department of Education and Training in the Northern Transvaal, Mr P G B Feelstead, confirmed yesterday that Mr Mekana had been asked by the school committee to stay away temporarily. He said demands by pupils that Mr Mekana should be removed from office could not be met.
Mitcotta, Cots, have bought the total share capital of Lockload Safety Products for £12,000.

Lockload is a Vereen-engined company specialising in the design, manufacture and distribution of industrial safety products, and its products are already being distributed by Mitcotta Cots Industrial Supplies. Lockload will be merged with Cots, Industrial Supplies, and will operate as a separate division.
Ford engineers geared-up to fit Atlantis diesel engines

TRUCK engineers at Ford are now well into the advanced stage of their programme to adopt locally manufactured Atlantis diesel engines in all the company heavy truck lines.

Mr Derek Morris, Ford's director of product development, said that soon after the Atlantis engine programme was announced, the company assembled a team of experienced truck designers, engineers and technicians at its new truck engineering facility in Port Elizabeth, to undertake the necessary engineering programme.

'Pointing out that the selection of engines from the range available from ADE, had been finalized and with installation engineering now virtually completed, he added that particular attention had been given to the selection of engines to match trucks and to ensure compatible transmission and driveline systems, thus obtaining optimum vehicle performance.'

"The next phase of our programme will be installation prove-out and durability testing. We have already completed several prototype conversions which have been reviewed with engineers from ADE and we are now ready to commence our prove-out testing."

"The changes required to our trucks to accept the new engines and problems associated with installing these engines have been numerous but in all cases we have been able to find a solution," he said.

Referring to the continued availability of Ford parts and service back-up for operators of Ford trucks powered by Ford and Cummins engines after the introduction of the ADE engines, Mr Morris said that it was Ford's established policy to support its customers' needs for as long as necessary.
Union to probe steel's armour

By STEVEN FRIEDMAN
Labour Reporter

The steel and engineering industry's attitude to black trade unions, which has been the subject of controversy over the past few months, is to be tested soon.

A black trade union, the Steel, Engineering and Allied Workmen Union, has approached the steel industrial council and asked permission for stop order facilities at all factories in which it has members.

This is the first such approach by a black union not linked to a registered trade union.

However, employers may oppose the Seawu request, because it does not accord with the controversial black labour guidelines adopted by the industry's employer federation, Seifa.

Granting of the facilities would mean that employers would automatically deduct union dues from the pay packets of members at their plants.

Stop orders are regarded by unions as an important source of financial stability, and granting of this facility is regarded as a limited form of trade union recognition.

Most registered non-black unions enjoy stop order facilities in the industries in which they are active, and black unions see the denial of these facilities as discriminatory.

The approach by Seawu, which is affiliated to the Consultative Committee of Black Trade Unions, follows a decision by its first annual convention at the weekend.

Its general secretary, Mr. Luke Bhehupa, said yesterday the union had already sent a written request to the industrial council for stop order facilities.

However, the approach could well be opposed by Seifa because the union does not yet conform to its guidelines.

The guidelines, which were attacked by unions of all races when they were released last year, advise employers not to deal with black trade unions before they receive Government registration.

After negotiations with registered unions, Seifa agreed to relax its guidelines to allow employers to grant stop order facilities to unregistered unions.

However, these unions must have applied for registration and their applications must have been approved, or else they may be initially opposed to the request.
Jobs shortage slowing down output rate

By Michael Chester, Financial Editor

Hard evidence has now emerged that the gradual squeezes caused by skilled labour shortages have become so bad that they are acting as a brake on production in the industrial sector.

The Steel and Engineering Industries Federation discloses in a mid-year survey released today that production performance and delivery schedules have been restrained in a number of sectors.

The blame is put squarely on bottlenecks related to shortages of various categories of skilled and semi-skilled labour.

The dilemma comes at a moment when all the indicators point to still faster economic tempo in the second half of the year, fuelled by higher consumer spending, an increased momentum in the general upgrading of black townships, plus a further pick-up in investment in the mining and energy-related sectors.

Dr EP Drummond, executive director of Sentra, reports that the majority of sectors in the metal and engineering industries show improved levels of business with faster order books from the motor component manufacturers, building industry suppliers and the electric cable sector.

Physical volumes of manufacturing production continued to rise as plant utilisation increased in the basic iron and steel industries.

The boom is being fed from more expansions in the mining industry, still better upturns in the construction business and higher levels of motor vehicle sales.

Output is running faster in the large general engineering sector and finally spare capacity in the heavy engineering industries is being snapped up.

Dr Drummond finds that only the structural steel and reinforced steel-work sectors are not yet fully benefiting from the overall economic upswing.
LEYLAND SA has secured an order for a total of 40 Leyland Victory Mark II buses, valued at R1,4m, from PE Tramways.

The Leyland Victory Mark II is fitted with the Leyland 680 diesel engine mounted vertically at the front of the vehicle and coupled to a Leyland Self Changing Gears, five-speed, semi-automatic gearbox.

The buses which will be bodied by PE Tramways, will be equipped with a single deck bodies capable of transporting 110 passengers and will be used for city and urban transport.

**Mostly standing room**

The new vehicles will be known as "standee buses" due to the fact that the majority of passengers will stand.

The object of this configuration is to allow for the transportation of the greatest number of passengers within the shortest possible time, thereby eliminating passenger inconvenience and fatigue.

Leyland has already delivered the first of the buses and delivery of all 40 units will be completed by the end of the year.

Cape Tramways, of which PE Tramways is a subsidiary company, operates more than 1 500 buses, the majority of which are Leyland models.
Why SA can't step up local content

Mr Muller is an executive at Olivetti, which recently assembled its 300 000th typewriter at its Robertsham plant.

Of his company, he says: "We're technically capable, but the South African market is, and is likely to remain, too small to warrant the introduction of full local manufacture."

He estimates that the cost of a fully locally manufactured machine could be up to five times that of the machines which are imported.

Given the possible economic isolation of South Africa, Mr Muller believes this country could easily "do with what was available" as Rhodesia did during sanctions.

He estimates there are about 220 000 manual and 115 000 electric typewriters in South Africa, both in and out of use. Those that are out of order could be repaired provided parts are available. "Bringing them back to life would help to meet demand for some time."

The same applies to the 46 000 odd copiers in circulation. South African businesses South African offices do not lag behind the rest of the world in making use of innovations in business equipment.

"The average life of a typewriter in South Africa is seven years. After this period, new designs and new capabilities make their appearance and progressive users are not slow to take advantage of these availabilities," Mr Muller says.

"The recycling of machines thus replaced could triple their lives, giving them an effective lifetime of some 20 years or more - during which period attitudes might well have changed."

He says the multinational suppliers of business equipment will continue to dominate the market because they have markets of optimum size.

Industrial Reporter
LOCAL manufacture of office business equipment for the South African data market is unlikely in the foreseeable future, says Mr Max Muller of the executive committee of the Business Equipment Association, in the association's magazine.
Seifsa sees boost in orders for cars

By SIMON WILSON
Industrial Reporter

MORE orders for car parts are the biggest influence in increasing activity in the metal and engineering businesses, says Seifsa.

The Steel and Engineering Industries Federation of South Africa's monthly bulletin, reviewing conditions in May, says improved order intake from the car component industry, reflecting soaring car sales, is a key factor behind the higher levels of activity being reported in the metal and engineering industries.

Two other important sources of industrial orders are building industry suppliers and electric cable manufacturers.

Continuing expansion in the mining industry has meant increases in plant use in the basic iron and steel industries and a further upturn in the construction industry.

There were improved output levels in May in the general engineering sector and greater take-up of spare capacity in heavy engineering, which enhances prospects of an increase in workload during the second half of the year, the report says.

"In contrast, the structural steel and reinforcing steelwork sectors are not as yet fully benefiting from the upswing in the local economy. In these sectors market conditions continue highly competitive and the volume of short-term inquiries remains unsatisfactory," the report says.

Shortages in certain categories of skilled and semi-skilled labour were beginning to restrain production performance and delivery periods in May.

But the report sees a partial solution to the inquiry shortage in the higher rate of increase in real private consumption expenditure during the third and fourth quarters.

An increased tempo in the general upgrading of black townships and some further pick-up in investment activity in the mining and energy-related sectors are also expected to boost orders.

"The heavy electrical equipment sector, which has been operating well below capacity for a considerable period, now reports an improvement in capacity utilization with an expected build-up in demand in the medium to long term from mining and general industrial developments, new construction programmes and public sector infrastructure projects," the report says.

Seifsa expects a steady appreciation of the rand against the dollar to impact adversely on flat and structural steel export levels. The gathering Western recession is also expected to cut export demand for South African ferrochrome as inventory levels are trimmed in the second half of the year.

Rising world oil prices are expected to make certain plastic raw materials more expensive later this year, a factor which is holding back orders from manufacturers.
EAST LONDON — One hundred and twenty-seven men and a 17-year-old youth appeared before Mr N. R. Oosthuysen in a special court at Cambridge police station here yesterday charged under the Riotous Assemblies Act.

No evidence was led.

They were not asked to plead and all were allowed out on R30 bail each and warned to appear in the same court on August 20.

Laying out the conditions of bail, Mr Oosthuysen said "Do not go to the premises of your employers until the case is heard. If you go your bail will be estreated and you may be arrested."

"Arrangements have been made that those who pay bail will be transported from here by police vehicles to collect their property from the firm," Mr Oosthuysen said.

All the men paid the

Two men whose names were scratched off the original list of workers who were arrested for allegedly attending a gathering of more than ten people near the premises of National Converter Industries on the West Bank last Friday appeared with the others yesterday.

They are Mr Moffat Nololo, 32, and Mr Walter Kole, 25.

Before the hearing the bail cum court became a pay office when employees of the company paid off the workers.

Outside the court later, the attorney appearing for the workers, Mr B. Ncube of Durban, spoke to the security guard, Mr N. C. Benito, who, the workers allege has sacked them, but Mr Benito denied the company had fired them. — DDR
Unions may get limited rights

By STEVEN FRIEDMAN
Labour Reporter

THREE black trade unions could be about to granted a limited form of recognition from the steel and engineering industry.

Earlier this week the Steel, Engineering and Allied Workers Union said that it had applied to the industry's council for "stop order" facilities.

This means that employers would automatically deduct union dues from union members at their plants and the granting of the facilities is regarded as a limited form of union recognition.

The director of the Steel and Engineering Industries Federation, Dr Errol Drummond, declined to comment on the issue yesterday.

Sefsa represents steel and engineering employers.

Industry sources said that two other unions which are affiliated to Sefsa had also applied for these facilities. They are the Metal and Allied Workers Union and the Engineering and Allied Workers Union.

According to the sources, all three applications have already been approved and an announcement to this effect is expected soon.

The granting of stop orders to the unions is likely to be seen as a significant breakthrough in an industry which has persistently been accused of adopting a hardline stance against black unions.

But the granting of stop order facilities does not automatically entitle a union to negotiate with employers on behalf of its members.

Sefsa is still opposed to negotiations between the unions and individual companies.

It has now been established that none of these applications fall foul of Sefsa's black labour guidelines which were amended after discussions with registered trade unions in May.

Earlier this week, the "Mail" suggested that the union's request did not comply with Sefsa's guidelines because its application for Government registration had not been published in the Government Gazette.

An application is usually published after the industrial registrar has approved the union's constitution.

However, it has now been established that black unions which are able to produce proof of Government registration are eligible for these facilities even if their application has not been gazetted.
A South African-designed and produced mini-computer was unveiled this week by Corporate Management Services, a three-month-old company set up by a group of former IBM employees.

Though not quite the first local computer, the new product is the first of a kind which can find broad application in the business environment. Existing SA-made products include intelligent terminals, such as those marketed by Datakor primarily for networking uses and by ADS for specialized applications, and Messina Electronics' Commander process control computer.

The CMS Datapac SA 100, which will cost R13 000 in a basic configuration, or lease for R400 a month, is aimed at the small business or professional man who needs to keep control of his debtors ledger, stock and so on.

It was designed by Datapac, a Cape Town-based group of electronic design engineers which has formed a close marketing and product development liaison with CMS.

Local content is more than 80% by value, says Datapac director Steve Kennedy. And although the imported items — the chips, printer, video tube and screen, and floppy disc drive — are the most crucial parts of the unit, Kennedy says there are moves afoot to make some of them locally.

"We ourselves are looking at the possi-
Dunswart recovery gathers pace

By HAROLD FRIDJHON

RECOVERY at Dunswart appears to be continuing at a satisfactory pace and last year's final of 10c a share — the first since 1978 — has been followed up with an eight times covered interim of 5c.

Momentum quickened in the second half of last year, first-half earnings were 11c a share which swooped up to 97.7c in the final half to December. An interim profit statement for the six months to June 1980 shows earnings of 39.6c a share with the promise of better things to come.

A note on the interim report says that the selling price of steel was increased by 14% on average on June 20 1979 and that current favourable SA market conditions are expected to continue for at least the second half of the year. Demand and prices have weakened on world markets.

Compared with the results of the first half of last year, the operating profit in the first six months of this year improved by 60% to R5 114 000. With depreciation allowances nearly 20% higher, and interest payments 10% lower, taxed profit rose from R396 000 to R1 947 000 — nearly a 3½ times improvement.

Attributable profit was R1 912 000.

COMMENT: The improved figures were foreshadowed in last year's directors' report. They stated that the SA steel market was firm and should continue to hold in the prevailing mood of confidence. With the weakening of the export market, the company's policy would be to concentrate on satisfying domestic demand.

An all-out effort was to be made on attaining melt shop production of 330 000 tons a year. Production and sales of rolled sections would then increase to 243 000 tons for the year, with sales of billets at 70 000 tons.

No forecast was made about profits because of the inhibiting effect of price control. With the higher price allowed last month, the directors expect a growth in income.

It is reasonable to assume that income will rise still further with the additional 14% granted by the Price Controller. On the other hand costs, too, can be expected to rise sharply with the wages increases which have been awarded in the steel industry.

The share price closed firm last night at 95c. Assuming a final of 15c a share, with the interim of 5c, the share looks poised to yield 7.5%.
SA mining machinery can stand on its own

By SIMON WILLSON
Industrial Reporter

MINING machinery made in South Africa could soon compete with the best in the rest of the world because of this country's expertise, said Mr Bill Lawrence, president of the Chamber of Mines, yesterday.

He said Johannesburg at the launching of the first South African made horizontal bore that the mining industry gained its expertise in the toughest school in the world — South Africa's hard-rock, narrow-seam, deep-level gold mines.

"This country has come a long way since 1946 when the Government first introduced import control.

"It is now no longer a question of protecting a fledgling domestic industry struggling to hold its own against imported products, or of creating artificial barriers which can inhibit real growth by encouraging inefficient, high-cost industries."

Mr Lawrence said, "The mining industry has played a key role in the current industrial programme and has shown the way for other sectors."

"And it is not purely an altruistic attitude. It is motivated by self-interest as well. For by encouraging local manufacturing companies to involve themselves in the complexities of mining in the most arduous and demanding environment to-be found anywhere in the world, the mines have managed to solve many problems." "In many instances, solutions have had to be found locally because there was no precedent elsewhere."

There was no doubt that technological improvements were still necessary in the gold-mining sphere.

The traditional method of drilling and blasting is time-consuming and wasteful, while the necessity to enhance productivity to offset ever-rising costs has made it especially necessary to speed up the mining process.

The first SB 200 machine has been bought by Johannesburg Consolidated Investments Western Area Pty Ltd and will start underground drilling on August 1.

Mr Hilton Davet, chairman of Smith Boart, said his company did not regard the SB 200 as the ultimate in box-hole borers.

"Machines with new and improved features are already in our minds and the next generation is on the drawing board.

"Design modifications should enable us to reduce the price in future without sacrificing strength or efficiency."
Black unions' breakthrough in steel industry

By STEVEN FRIEDMAN  
Labour Reporter

The Steel and Engineering Industries Federation has confirmed that three black trade unions have been granted the right to obtain stop order facilities from employers in the industry.

A Safecor letter to employers, announcing this decision, was released to the Rand Daily Mail yesterday.

The Safecor confirmation follows a Mail report yesterday that the unions had been granted the right to stop order facilities, which will mean employers may deduct union dues from members' pay packets.

The three unions concerned are the Metal and Allied Workers' Union, the Engineers' and Allied Workers' Union and the Steel, Engineering and Allied Workers' Union.

The first two unions are affiliated to Fosato, while Scawu is a member of the Consultative Committee of Black Trade Unions.

Three 'parallel' unions for black workers had earlier been granted these facilities.

According to the letter, two registered trade unions which have received government permission to recruit black workers have also been granted stop orders for black members.

They are the SA Foundry workers Society and the Ironmoulders Society.

The industry's move does not mean employers are compelled to grant the stop orders.

Unions regard stop orders as an essential source of financial stability and the move is seen as a breakthrough for the unions in an industry where they have been accused of adopting a hardline stance on black unions.

The granting of stop order facilities does not, however, enable the unions to negotiate with individual employers in the industry.

The granting of stop order facilities to the unions will apply for a six months from May 15, pending the outcome of their applications for government regulation.

Before employers extend stop order facilities to the unions, they must inform the industry's regional industrial council which must issue the employer with a formal exemption.
lary equipment, smaller industrial boilers and other work, but they believe that if new overseas companies try to join in here — as seems likely — the results could be bad for the local industry.

As one spokesman noted, "Local suppliers want Escom to look to the maximisation of existing facilities — which are adequate. What concerns everybody is the possibility of new overseas companies coming in."

The big boiler business has other risks too. Relatively high SA costs can provoke slugging problems which may require extensive boiler modifications. Also, the long-term nature of the contracts, coupled with the inflation rate, makes it difficult to control costs.

Despite these problems, there can be little doubt that the successful boiler-makers are smiling. European and American manufacturers of conventional boilers are faced with the problems of a saturation of electric power and the anti-pollution lobby of the environmentalists — SA manufacturers are not.

Escom’s need for more power stations is not likely to wane either. Most important is that the anticipated base minerals boom means that the mines will require much more electricity. Oil-generated power has become prohibitively (which means farmers are switching from diesel power), rural areas and the railways will soon need greater electrification, and the electrification of Soweto (and probably other black areas) is on the slate.

This means that, while in most developed countries electricity generation has reached a saturation point, Escom has been doubling up nearly every eight to 10 years. This means, in turn, that 2 200 MW — or about three units of 600 MW each — might have to be installed annually. According to Escom’s latest report, it is aiming for just under 26 000 MW by 1984. Present installed capacity is about 16 000 MW.

And if the real growth rate remains at 5-6%, there will be an even greater demand for power generation.

In recent times, Stemmueller appears to have had the lion’s share of the market. It recently landed the R500m contract for Escom’s 3 600 MW Tutuka power station to be constructed near Standerton.

It also handled the contracts for five 200 MW boilers at the Hendrina power station, five 600 MW boilers at the Kriel power station, and six 600 MW boilers at Davaa power station. MD Lothar Freitag estimates that by the end of 1979 Stemmueller provided about 26% of all power generated by Escom.

Babcock are presently constructing six 600 MW boilers at Matla and constructed five 200 MW boilers at Hendrina and Grootvlei respectively.

International Combustion built six 350 MW boilers at the Arnot station. DB Thermal has been involved with the construction of 16 boilers (and steam plants) at Sasols 2 and 3 — an enormous contract for a company which was, so to speak, new. (Up to 1974 British Babcock & Wilcox had a shareholding in DB Thermal, which meant the latter stayed out of the field until then.)

And more work is in the offing at present Escom’s proposed Matimba power station at Ellisras is on enquiry and all the local boiler makers are expected to tender.

**POWER STATION BOILERS**

**Full steam ahead**

Over the last decade Escom has awarded power station boiler contracts worth close to R1 600m — which has provided a flourishing business for the handful of local companies in the big boiler industry — and the four major local boiler-makers — A & C Steimmueller (Macao); DB Thermal; Babcock Engineering Contractors, and International Combustion Africa — are all reasonably bullish about the SA market for power station boilers.

The men in the industry rate, however, that the market is not an under-traded one. Only one company at a time can land a major Escom contract. The others have to keep busy with subcontracting another.
TRADE UNIONS

Give them their dues

The black and multiracial trade union movement in SA has been given a major boost. The Steel and Engineering Industries Federation of South Africa (Sefsa), whose controversial guidelines were severely criticized by unions of all races, at the end of last year, has granted one black and two multiracial unions stop-order facilities for union dues at all factories where they have members.

The only unions to have been granted this right to date have been three parallel

unions.

Counter to sceptical forecasts that Sefsa would oppose the unions’ requests, it announced that the three unions had been granted the same privileges accorded to the first three unions with check-off facilities for union dues.

Two of the unions, the Engineering and Allied Workers Union of South Africa, which was granted multinational exemption in June, and the Metal and Allied Workers’ Union of SA, which has applied for registration — are affiliated to the Federation of South African Trade Unions (Fosatu).

The third, the Steel Engineering and Allied Workers’ Union (Seawau), is affiliated to the Consultative Committee of Black Trade Unions and has applied for registration. It is waiting for its application to be gazetted.

Alec Erwin, general secretary of Fosatu, says the step is an important one. It shows the guidelines are being applied even-handedly by the Industrial Council, he says.

But the move does not mean automatic recognition for the unions involved. They have still to be registered before Sefsa will negotiate with them or before they will be accepted on to the Industrial Council.

Whether stop-order facilities will be granted is also still the prerogative of individual companies, says Erwin. "It’s now up to the companies to allow these facilities to become effective. We hope they will comply with Sefsa’s guidelines if the unions are granted stop-order facilities, it will make a large difference to their financial status."

Fosatu’s Erwin views the guidelines as being applied.

Emil Dumm, director of Sefsa, says the industry’s Industrial Council is satisfied that the unions have complied with conditions as laid down in the Sefsa guidelines which qualify them for the stop-order facility.

The conditions are that the unions:

- Apply to the registrar for registration
- Lodge a constitution with the Industrial Council
- Provide proof of application for registration
- Submit a written undertaking when they have obtained final registration
- Apply to be parties to the Industrial Council
- Present stop-orders that comply with the format laid down by Sefsa.

We are obviously pleased about this development. Hopefully the move will bring unions as full partners into the Industrial Council,” says Dumm.

Union spokesmen have welcomed Sefsa’s decision. They point out that union organization without stop-order facilities is almost impossible. A spokesman for the union says, "Well, collecting dues is tedious and inefficient. Some members don’t pay up and it is difficult to keep track of membership."
Anglo man is Seifsa’s director

By STEVEN FRIEDMAN
Labour Reporter

The Steel and Engineering Industries Federation (Seifsa), South Africa’s largest employer federation, has chosen a prominent Anglo American Corporation personnel consultant as its next director.

He is Mr. Sam van der Merwe, who assumes duties as Seifsa director-designate in February 1999.

Seifsa’s present director, Dr. Erroll Drummond, retires on June 30 next year from the post he has held for over three decades. He will be retained by Seifsa as a consultant.

Dr. Drummond is also a member of the Wittehahn Commission.

Mr. Van der Merwe is best known for his work as director of the Institute of Industrial Relations, the first joint management-labour body to be established in the country.

He was seconded by Anglo to serve the institute as director for a two-year period and then left to rejoin the corporation. He is acting director of the Hill.

He was educated at St. Andrews College, Grahamstown, the University of Cape Town, Oxford University, where he was a Rhodes scholar.

He is Anglo American’s personnel consultant in industrial relations and has served as Anglo’s Economic Intelligence and Industrial Development Unit.
Workers laid off after fire

Hundreds of workers have been laid off after a weekend fire gutted a plastics factory in Edenvale, causing damage of about R3 million.

Police are investigating the possibility of arson. Brigadier S Schutte, Divisional Commissioner for the East Rand, said today a man had been taken in for questioning, but that no one had been detained.

The fire broke out at Moscom Plastics in Edenvale Road. It took firemen more than three hours to control it.

Workers at the factory said they had been told to go home and to return on Friday when they would be paid off.
'Go for the SA product' is policy of mines

By Frank Jeans

The Chamber of Mines is dedicated to a policy wherever possible, to the use of locally-made mining equipment and heavy capital goods — a policy dictated by the fact that the South African machine compares with the best in the world.

Indeed, to ensure that mining companies follow the "SA line," the Chamber, with the support of the Department of Commerce, scrutinizes applications for import permits so as to ascertain whether particular goods are not obtainable from local sources.

Speaking at the launching of the first locally manufactured Smith Boart 200 box-hole borer, Mr R S (Bill) Lawrence, newly-elected president of the Chamber of Mines, said:

"Our locally engineered products can compete with the best in the world, and in mining, we have expertise unmatched anywhere and armed in the toughest school there is — at deep levels in hard rock, narrow vein gold mines."

Emphasising that the Chamber has actively promoted the use of the South African-made product, Mr Lawrence also pointed out that import substitution as an end in itself — that is, granting local industry a protective shield from outside competition — is not a course of action that should be pursued at any price, except perhaps in the case of special strategic items.

The mining industry's key role in the import replacement programme had shown the way for other sectors, and the Chamber's president, and this was not a purely altruistic attitude.

"It is motivated by self-interest as well. For by encouraging local manufacturers to involve themselves in the complexities of mining in the most arduous and demanding environment to be found anywhere in the world, the mines have managed to solve many problems.

"In many instances, solutions have had to be found locally, because there was no precedent elsewhere," said Mr Lawrence.

Smith Boart has made big strides in the field of local manufacture since it was formed only nine years ago.

The establishment of the group is also a fine example of international co-operation in today's big business scene, being owned jointly by Smith International of the US and Boart International.

Boart is a family of companies which operates throughout the world, and is a wholly-owned subsidiary of the Anglo American Industrial Corporation (Amco).

The new borer which has been ordered by Johannesburg Consolidated Investment's Western Areas gold mine, is capable of drilling blind holes up to 100 m long and up to 215 mm in diameter.
Seifsa's new director

Mr D L van Coller has been appointed director designate of the Steel and Engineering Industries Federation of South Africa, and will assume duties on February 1 next year, Seifsa has announced in Johannesburg.

Mr van Coller is now personnel consultant-industrial relations depart Anglo American Corporation, responsible for its industrial relations department. He also served in the corporation's Economic Intelligence Unit, Industrial Division and Manpower Resources Division.

He is 42 years old and also acting director of the Institute for Industrial Relations.

Dr E P Drummond the present director of Seifsa, will retire on June 30 next year, but will be retained in a consultant capacity — Sapa.
ITT may off-load stake in Altech

By DAVID CARTE
Deputy Financial Editor
INTERNATIONAL TELEPHONE and Telegraph Corporation (ITT) of the US has agreed to sell its 2,856,799 shares in Altech Technologies (Altron) to Allied Electronics (Altron), Altron’s South African holding company, at an undisclosed price.

At current market value, the shares, representing 22% of the equity of Altech, are worth R34-million.

The giant US electronics multinational acquired the shares in Altech when it sold its subsidiary, SBC to Altech in 1977. One of the conditions of the 1977 deal was that the controlling shareholders of Altech would have first option over Altron if ever Altron wanted to sell.

According to Mr Bill Venter, chief executive of Altron and chairman of Altron, the bank- ers of Altech have always wanted to South Africanise the company as far as possible and have pressed ITT to sell ever since.

"Now they have agreed to sell and, for the first time in many months, a meaningful stake has become available in a company with a market capitalisation of R110-million, with a 50% compound growth rate. It’s a very exciting situation."

Mr Venter has not yet taken a decision on what to do with the shares. It is not possible to establish the effect on the share price or whether it would be enhanced.

Both Altron and Altech have large holdings and unused borrowing capacity, so the shares could be bought for cash by Altron, which already owns 51% of Altech. But this would not enhance the spread of Altech shares among South African holders.

The Altech shares could be offered to one or a number of South African institutions, which, according to Mr Venter, have been frustrated trying to get meaningful stakes in the company. A stake of more than 25% carried voting rights and would be highly desirable for a very large institution.

One way to achieve a better spread of Altech shares and at the same time broaden the company’s profit base would be to use the shares to acquire a company that would marry well with Altech.

While today’s official statement from Altron says no decision has yet been taken, Mr Venter indicated that the decision would be announced in the next few weeks.

The official statement cautions Altron and Altech shareholders in their dealings before another announcement.
Steel mills output up

Industrial Reporter

OUTPUT from South Africa's steel mills during the first five months of 1981 showed an increase of 4.5% on the same period a year ago, says the Steel and Iron and steel bulletin.

The monthly bulletin, issued by the Steel and Engineering Industries Federation of South Africa, says pig iron output for the January-May period this year showed a 4.5% increase on output in the same months in 1979.

The ferro alloy manufacturing industries reported an improvement of 14.5% in January-May this year over 1979, steel castings from private sector foundry output were 3.5% up, iron castings were 11.5% up, and non-ferrous castings were 38.8% up on last year.
Tubemakers' new auto-galvaniser scheme to cost R7.8m

A R7.8m project for the installation of a new galvanising plant and ancillary works at the Vereeniging plant of Tubemakers of South Africa has been approved by the board of Stewarts and Lloyds of South Africa. The new automatic plant will replace the existing manual plant and increase capacity by 60 percent — from 40,000 tons a year to 61,000 — as well as improving efficiency, increasing productivity and reducing costs, the company says.

Mr H A Godwin, executive director of the Vereeniging division, said the new plant would substantially increase the company's production of galvanised tubular products, including certain sizes of galvanised tubes, export tubing, windmill parts, flanges and sockets and street lighting columns. The capital expenditure would be undertaken in the 1981-82 financial year and the major portion of the equipment would be sourced in Germany, he said. The plant would be operational in 1982/83. — Sapa.
The Metal Closures Group has raised its interim dividend from 10c a share to 16c on taxed profits of R97 000 for the six months to June — an increase of R390 000 on the comparable figure for 1979.

For the financial year to December, taxed profits were R1 785 000, equivalent to earnings of 68.8c a share from which dividends totalling 24c were paid.

Commenting on the improved results, the chairman, Dr M D Marais, said that all the operating divisions had benefited from the upturn in the economy.

Some divisions of the group had been pressed to meet customer requirements, but pressure of production capacity would be alleviated in the third quarter by new plant and machinery.

In spite of substantial raw material price increases, part of which had to be absorbed, it was expected that profits for the current year would exceed those of 1979, although the rate of increase in the first six months was not expected to be maintained for the full year.

Dr Marais said that the combined effect of recessionary conditions in the world and the high inflation rate in South Africa would affect Metal Closure’s profitability, but management was taking precautions, including strict cost control and greater efficiencies in the use of manpower.
MALBAK shareholders were told at the annual meeting yesterday that results for the quarter to the end of June were in line with budget and significantly up on the same period of last year.

The annual report published last month forecast that the year to March 1951 would be one of "above average growth" — the average being the 17.2% rate at which earnings a share have grown since 1939.

There has been a continuation of the strong improvement in the farm machinery division, which moved its contribution to group earnings up from 2% in 1949 to 13%.

Motor retailing, which last year dipped to 8% of group earnings, is performing well, as is process control instrumentation which last year made its first full 12-month contribution.

Malbak is paying Rs 300 000 in cash for 100% of B & K Pumps. The acquisition is not expected to have a material effect on either net asset value or earnings a share.

In the year to March, Malbak earned Rs 300 000 — 50.4 cts a share — on sales of Rs 120 million and paid dividends of 18c a share.

The report for the six months to September will be issued at the end of October, and that for the nine months to December (which will be published in February) will include the interim dividend declaration.
Growth base

Activities: Fabrication, construction, electrical and mechanical engineering. Directors control 34% of equity.

Chairman: W. M. Joubert

Capital structure: 4.9m ordinary shares of 80c. Market capitalization R20.8m.

Financial: Year to February 29 1980. Borrowings long- and medium-term, R7.3m, net short-term, R5.0m. Debt equity ratio 68.8%. Current ratio 1.2. Net cash flow R7.0m. Capital commitments R1.1m.

Share market: Price 425c (1979-80 high, 476c, low, 250c, trading volume last quarter, 53 000 shares). Yields 21.8% on earnings, 5.8% on dividend. Cover 3.7. PE ratio 4.6.

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* (1981 = 100)

Chairman Willem Joubert's forecast that last year would be a difficult one for the engineering sector has been proved right by results. Though turnover rose by 17.8%, margins have apparently tightened, as pre-tax profit is up only 15.5% from R5m to R5.8m. However, prospects for the current year seem considerably better, as order books are reported to be filling fast.

The nature of the construction and engineering industry allows the group to keep its tax burden down to moderate levels through the use of capex tax allowances, and the Recover took up only 23.6% (26.8%) or R1.4m (R1.2m) of pre-tax income. But Joubert warns that this situation cannot be expected to last, and the tax rate will increase in the future.

The company has built up resources to cope with the expected increase in general engineering business. A number of small companies was acquired mainly to make use of their properties for the location of group services, while a R5m deb issue was placed to strengthen the capital base for further expansion of operations.

Group borrowings have been rescheduled away from the longer-term, and the debt equity ratio fell slightly to a reasonable 66.8% (70.5%). In the previous year, a sharp increase in borrowings was apparently necessitated by a number of suspensive sale agreements which the group used to enlarge its crane fleet. Presumably this has not been repeated, though contingent liabilities include some R850 000 (R117 000) in respect of unexpired leases.

The interest bill, at the same time, has risen from R376 000 to R553 000 though much of the reduced long-term debt of R7.3m (R8.9m) has been rearranged at lower rates of interest. Bank overdrafts, however, have risen sharply from R1.7m to R4.9m, and there is no cash balance in the accounts.

During the past year, the group has been involved in a joint venture with Fluor Corporation of the US, which is involved in engineering design and project management. The venture has apparently made good progress and Joubert is confident that it will contribute to profits. Since the year-end, Genrec has also started another joint venture, with Pipework Engineering Developments of the UK, to establish a highly specialised tubing division for steam generator plants, as well as for industrial, chemical and mining usage.

* Scott Hooper

Genrec's Joubert expecting a further advance

While the broad spread of the group's activities has been maintained, there has also been a restructuring of internal operations. The electrical construction department has been merged with subsidiary Alprel to combine electrical and instrumentation operations. Joubert expects the enlarged Alprel to contribute more to profits in the future.

Another new company, Genrecfab, has also been established following the takeover of Wadewell Engineering, Power Steel Construction and Genpipe during the past year. It will be responsible for structural engineering design as well as contract management, and Joubert points out that this is now one of SA's largest all-round structural engineering companies which is able to offer full services.

Though dividend cover is normally high, it fell last year from 4.2 times to 3.7. This level of retentions does not seem particularly necessary taking into account the debt position and the deb issue, and Joubert could reasonably be further reduced this year if so, and earnings increase more strongly than last year, a total dividend of up to 32c could be paid for a 7.8% prospective yield.

Financial Mail July 25 1980
SHIPBUILDING
Up the creek

A vicious cycle could develop in the local shipbuilding industry which could place SA companies in an even less competitive situation than they already are.

The Board of Trade and Industries has been instructed by government to re-investigate the industry and to assess the appropriateness of present subsidies and whether these are, in fact, justifiable in the present — rather slack — situation.

Chairman of the Board, Basie Kieu, says the re-investigation, tabled in this month’s Government Gazette, was not in response to industry representation but because, in the 1986 investigation, it was recommended that the structure be examined again, after it had been operating for some years.

In response to this move, Johan Grobler, GM (finance and administration) of Sandock, the Durban shipbuilding company, said his company would strongly object to any subsidy reductions.

"The industry isn’t in a very good situation at present and we are not very competitive with the rest of the world. We are not subsidised enough.”

Present government subsidies are between 10% and 25%; a 10% subsidy on contract price is paid to builders of ships between 200 t and 500 t, and 25% for ships between 500 t and 6 000 t.

Although these subsidies run into millions of rand, they don't match countries, such as Japan, which provide subsidies up to 50% and which provide stiff competition for the local industry.

Dorbyl Marine’s executive director, Dick Brass, sees the re-investigation as a normal procedure to reassess current government involvement in the shipbuilding industry.

"The government has been a great support in this industry which is a unique sort of business.

"I don’t think anything prompted this re-investigation other than that the existing scheme of support expires this year,” said Brass, whose company’s annual report for last year noted that its forward order books were inadequate in the long term.

In Cape Town, Dorman Long Swan Hunter are at present building only one trawler. Clearly, none of the grand schemes for construction of tankers have been realised, and even small ship construction has been subdued.

The Gazette stated that special reference would be made to the norms and minimum requirements with which any shipyard would have to comply in order to receive government assistance.

If this support scheme were to fall away, it would be bad news for local shipbuilding companies, already adversely affected by their inability to compete in the world industry.

The ball is now in the BTI’s court.
WOLHUTER STEEL, a member of the Hunt, Leuchars and Repburn Group and one of the largest steel merchants in the country, is developing a plant at Prospecton as part of its diversification into the steel coil processing market.

The total expansion is to cost R5-million and the building at the one-hectare Prospecton site is well under way. It is scheduled for completion by the end of next month.

A high-precision blanking line which arrived recently will cater mainly for automotive, container and white goods (stoves, washing machines and the like) and will be the first of its kind in the area.

Natal was chosen for the installation — the first step of a major expansion — because Wolhuter identified a gap in the market and with on-the-spot facilities available, Wolhuter will be able to offer a service as well as allowing the manufacturers to cut down on large inventories, making floor space available, as well as cutting back costs.

The company expects to capture about 30 percent of the market initially with an overall objective of 50 percent.

Peter Lawson, Wolhuter's Natal director, will head up the new operation which will provide a number of employment opportunities for whites and blacks.

Marketing director Cedric Smith said in Durban this week the company had owned the site since 1973.

One of the features of the building is the high tensile, steel-reinforced floor to carry the large steel holding of coils with a total mass of 12,000 tonnes.

"We had to pile drive down to 48 metres," said Smith.
Foundry output at a rollicking pace

RESULTS of the 1979 survey of South African foundry output reflect the increased levels of economic activity in the metal and engineering industries in the year, reports the director of the Steel and Engineering Industries Federation of SA, Dr E P Drummond.

Plant replacement and expansion programmes implemented during the year, together with the opening of a major steel foundry, also contributed significantly to the improved output levels and export performance. Output for all metal-casting sectors, including ingot moulds cast by steel producers for their own use, was up 14.5% to 637 257 tons as compared with the 695 175 tons for 1978.

The results of the survey underscore the improvements in the use of production capacity. Grey iron castings, which represent 72.9% of total castings of this metal, were up 3.2% to 263 287 tons from 253 104 tons of 1978.

The non-ferrous foundries, stimulated in part by the increased demand for automotive components, reported a 57.1% improvement in output to 30 680 tons from 19 400 tons in the previous year.

Tonnages recorded do not include castings produced in small in-plant foundries operating general engineering workshops. Dr Drummond says, however, that factors which cause concern are increasing inflationary pressures and shortages of certain categories of skilled and semi-skilled labour, both at shopfloor and high-technology levels. They constitute constraints which can affect capacity use, and possibly export performance.

Seen overall, prospects are for further strengthening in demand, arising from the current broadening of expansionary trends in the national economy and, in particular, from a continuing expansion in the automotive, mining, petro-chemical and building and construction activities.

Shortages of quality castings now developing in the US and European markets are pointers to increased foreign demand for South Africa's foundry products, particularly its high-quality grey iron castings and steel castings — Sapa.
Industrial court to hear first test case

By STEVEN FRIEDMAN
Labour Reporter

The industrial court set up under the Government's new labour dispensation is to hear its first major test case today in Johannesburg.

The action has been brought by a black migrant worker who claims that his employer victimised him by not renewing his work contract.

One issue at stake is whether an employer's decision not to renew the contract of a migrant worker when it expires can be regarded as victimisation.

If the court does pronounce on the issue, labour observers believe the case will be an important test of migrant workers' rights.

The industrial court was established after a recommendation by the Wiehahn Commission, which argued that there was a need for a special court to hear labour cases. Its president is the commission's chairman, Professor Nie Wiehahn.

The court is regarded as an important part of Prof Wiehahn's planned labour dispensation, because it aims to provide workers with a cheap and speedy forum for the processing of their grievances.

One of its chief functions is to hear claims of 'unfair labour practices'. It does not have to apply legal criteria only, but can also take into account the principle of 'equity'. Lawyers say this gives the court wider discretion than ordinary courts enjoy.

The court, however, hears only civil actions.

The case which the court will hear today has been brought by Mr Steven Maponya against his former employer, an East Rand company, Precision Tools.

Mr Maponya, an active member of the Metal and Allied Workers Union, is a migrant worker. Earlier this year his contract ran out and the company did not renew it.

Mr Maponya claims that the company did not renew the contract because it wanted to end his trade union activities. He says that Precision Tools has therefore victimised him by not re-employing him.

The company has denied this, and is contesting the action.

Mr Maponya is the first black worker to bring a test case to the industrial court and the case will be watched carefully by labour observers in order to bring his case to the court, Mr Maponya first had to take it to the industrial council for the steel, engineering and metallurgical industries.

A regional committee of the council heard his case and reported that it could not reach a finding. The case was then referred to the court.

At the same time, Mr Maponya's lawyer applied to the Minister of Manpower Utilisation for an order instructing the company to re-employ Mr Maponya until his case had been decided.

The Minister refused to do this — an action which was criticised by the MAWU. It said Mr Maponya had been unemployed for several months and also faced arrest under the pass laws, but was unable to obtain protection from the authorities.

Date

Degree/Diploma/Certificate for which you are registered (eg B A, B Sc)

Subject

(to be copied from the heading on the Examination Paper)

Paper No

(to be copied from the heading on the Examination Paper)

NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.

2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining emphasis or for diagrams, for which pencil may also be used.

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

4. Do not write in the left hand margin.

WARNING

1. No books, notes, pieces of paper or other materials may be brought into the examination room unless the candidate has obtained permission from the invigilator.

2. Candidates are not to communicate with other candidates or with any person except the invigilator.

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

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

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

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Vereniging van Suid Afrika
Steel exports to drop

SOUTH Africa's steel exports will be reduced during the 1980/81 financial year to meet growing local demand, the assistant general manager of Iscor Mr Nob Olivier, said at the weekend.

Because of the economic upswing, local steel consumption is expected to increase by 400,000 tons. Exports will be cut proportionately to meet demand. The country's total steel production, however, will be maintained at 5.4 million tons a year.

The recession overseas is lowering steel prices and Iscor may soon find it difficult to export steel profitably — Sapa
Metal Box is to move into Chile

By Iren Menon

Metal Box South Africa is to spread its wings further afield with a R34.7 million investment in a 90 percent interest in a company known as Lata Schwager SA (Lata Schwager) which controls 75 percent of Fábrica de Envasos SA (Fesa).

An off-site loan will be used to finance the acquisition.

The Laksh Group of Chile, with whom the negotiations have been concluded, is a long-established and well-respected investment group whose financial and management interests extend a wide range of activities from copper pastel through to banking and hotels.

Fesa, which operates in Mapocho, Santiago, is one of the two largest can manufacturers in Chile. Fesa will provide Metal Box with technology and machinery.
Metal Box 'South Africa' has entered into a technical licence agreement with Fabraba de Envasos (Feca) following its acquisition of 50 percent of holding company, Compania de Inversiones, to provide the Chilean company with technology and machinery to meet the growing demands for additional can supplies.

Yesterday's story in The Star indicated that the Chilean company was assisting Metal Box with technology and machinery, which is incorrect.
Industrial Court's historic ruling

HISTORY was made in Johannesburg yesterday when the Industrial Court ruled that a labour dispute in which the Industrial Council could not reach a decision, be heard by the court.

The case was before the Industrial Court, which went into its first session on an alleged unfair labour practice, concerning a dispute over an employer's failure to renew the contract of a migrant worker, Mr. Steven Maponya.

The Metal and Allied Workers' Union and Mr. Maponya alleged that the action of the employer was unfair labour practice.

They argued that the employer, A Mauchie (Pty.) Ltd., trading as Precision Tools, had effectively victimised Mr. Maponya for being a member of the union.

The deputy president of the court, Mr. B. J. Parson, who was the presiding officer in the case heard in the boardroom of the Department of Manpower Utilisation in Johannesburg, said there was no indication that the Industrial Council's executive committee had any powers to act on the dispute in terms of the Industrial Conciliation Act.

The ruling follows argument by Precision Tools that it was improper for the court to hear the dispute as there had been a unanimous decision by the Industrial Council's executive committee.

The case will now be heard by the same court today.

While the Industrial Courts have previously carried out functions inherited from the now defunct Industrial Tribunal, yesterday's was the first session in terms of the reconstituted Industrial Conciliation Act 1976.

The most important feature of the court's function as an adjudicator on unfair labour practices is that it will set its own precedents and thereby shape the law yet to be evolved.

34 Killed in riots

THIRTY-FOUR people were killed and 50 injured in racial riots in the Western Cape during June, South African Police have announced.

Lauts Col. Leon Mollett, Police Public Relations Officer, confirmed the figures.
Labour practices test case begins

By STEVEN FRIEDMAN
Labour Reporter

THE industrial court yesterday began hearing its first major test case — brought by a migrant worker against his former employers — after legal representatives of the employers argued that the case should not come before the court.

The court's president, Mr Benjamin Parsons, found, however, that it could hear the action.

In the case, which is being heard in Johannesburg, Mr Stephen Maponya alleges that his former employers, Precision Tools, victimised him by refusing to renew his migrant service contract.

The company denies this and is contesting the action.

The industrial court was set up after a recommendation by the Wethers Commission, and one of its functions is to hear cases in which workers allege they are victims of "unfair labour practices".

Maponya's action is the first case involving an alleged "unfair labour practice" which has come before the court. It is being watched with interest by labour observers who regard it as the new court's first major test case.

The case was first considered by the industrial council for the iron, steel and metalurgical industries. It reported that it could not determine whether a dispute existed between Maponya and the company.

However, it was revealed for the first time yesterday that the council's executive committee had also found unanimously that the company was within its rights when it did not renew Maponya's contract.

Industrial legislation stipulates that a dispute must be considered by an industrial council before it comes before the court.

If the council is unable to resolve the dispute, it can be referred to the court. In a day taken up with legal argument, counsel for Precision Tools, Mr A Trollop, argued that the matter had already been resolved by the council when it found unanimously that the company was within its rights and that if a dispute did not exist.

There was thus no reason for the court to hear it.

The court had also quizzed whether the action should be heard because the case had been discussed by a sub-committee of the industrial council and then by its executive committee, but not by the council as a whole.

Mr M Breek, counsel for Maponya and the Metal and Allied Workers Union, who have brought the action jointly, argued that an industrial council was not a judicial body and therefore did not have the right to find on the merits of a dispute.

If it had this right, a council could use it to "gang up" on applicants who were not members and prevent them from being heard in court.

It could only try to settle disputes and refer them to the court if it was unable to do so. It had been unable to settle this dispute and therefore the court should decide on it.

He also argued that an industrial council could delegate its functions to a sub-committee and the fact that the executive committee had considered the case meant that the preliminary procedures had been observed.

The court accepted this argument and found that the matter could be heard.

Mr B J Parsons, vice-president of the Industrial Court, presiding. Mr M Brassay, instructed by Bell, Dewar and Hall, is acting for Mr Maponya and the MAMU. Mr A Trollop, instructed by Damani, Bastock and Company, is acting for Precision Tools.
Case findings vital to black worker rights

By STEVEN FRIEDMAN
Labour Reporter

THE industrial court adjourned a hearing yesterday to consider arguments on two issues with far-reaching implications for the rights of black workers.

At issue are the rights of contract workers to allege victimisation if their employers do not renew their contracts and the right of trade unions to bring industrial court actions on behalf of their members.

The case has been brought by the Metal and Allied Workers' Union and Mr Stephen Maponya, a migrant worker. They allege Mr Maponya was victimised by his local company, Precision Tools, when it refused to renew his work contract.

The court's ruling is likely to be closely studied by unions and employers.

If oral evidence is necessary on the facts of the case, it will be heard from September 11 to September 14.

The court has been asked to deliver its findings on the legal points two weeks before that date. It noted this request.

An unusual development yesterday, both sides indicated that they would seek to appeal if the court's ruling goes against them.

It has been assumed up to now that there is no right of appeal from decisions of the court. However, this now appears to be in doubt.

The court's vice-president, Mr D B Parsons, is hearing the case and is assisted by two assessors, Prof P A N le Roux of Unisa (omitted by Mr Maponya and Mawu) and Mr D S Harris of the Steel and Engineering Industries Federation of SA (omitted by Precision Tools).

Yesterday, the court sat briefly and heard additional arguments from Mr A Trollip, for Precision Tools, and Mr A Brassev, for Mawu and Mr Maponya.

Mr Trollip has argued that the company has no legal obligation to renew a migrant worker's contract and that the court cannot order it to remit Mr Maponya, because doing so requires the permission of the West Rand Administration Board's director of labour.

Mr Brassev has argued that an employer is not prevented from issuing a contract worker with a "call-in card" which he submitted, automatically, that the contract would be renewed.

He also argued that a migrant worker's contract could, in some cases, contain an "implied term" that the contract would be renewed and the worker re-employed.

If the court accepts this argument, it would mean that contract workers would be able to invoke rights they have not been thought to hold up to now.

A contract worker would, in certain circumstances, be able to compel an employer through the court to renew his contract if he were able to prove that the employer was "incapable" of victimising him.

The right of trade unions to represent their members in "unfair labour practice" cases before the industrial court is also at issue in the case.

However, Mr Trollip acknowledged in argument yesterday that the court's finding on this issue would not affect the outcome of the case, as Mr Maponya's right to bring it before the court is not in dispute.
**PRESIDENT CATERING**

**Feeding growth**

**Activities:** Manufactures and supplies catering and refrigeration equipment

**Equity is 64% held by Trade & Industry**

**Chairman:** J J Jacobson

**Capital structure:** 3.2m ordinary shares of 7c

**Financial Year August 1 1980**

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*Market capitalisation: R3.9m*

**Financial:** Year to June 30 1980. Borrowings long- and medium-term, R13 000, net short-term, R2.5m. Debt equity ratio 95.4%. Current ratio 1.5. Net cash flow R455 000

**Share market:** Price 123c (1979-80 high 133c, low 80c, trading volume last quarter, 43 000 shares). Yields 18.9% on earnings, 8.1% on dividend. Cover 2.3. PE ratio 5.3

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<td>103</td>
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*In months / Annually*

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**Prescat has** moved ahead well in the 18 months since its takeover by T&I. And prospects for further good growth appear sound as the economy continues upwards.

While past and current growth has been locally based, the group now has export plans. Some export sales have already been made and the company is “actively investigating” further foreign operations.

There are a couple of tenders currently on the go, management says.

The contribution to taxed profit of the trading and manufacturing arms has shifted slightly over the year, with trading providing 72% (82%) of net earnings and manufacturing the remainder. Though this has not been a deliberate policy, manufacturing does tend to be the more lucrative field and generally involves longer-term contracts.

The trading arm is also being expanded with extra staff and facilities, and chairman Ivo Jacobson is confident that market share will at least be maintained.

Recent acquisition F H Hodgkinson was consolidated for a full year but experienced a significant increase in sales, and Jacobson says that all group outlets performed at least up to budget.

Recent growth has been accompanied by higher debt financing. The debt equity ratio has risen steadily over the last couple of years and now stands at 95.4% (64%), which is not unreasonable bearing in mind the financing requirements of the group and its customers. The debt burden has been increased from R1.5m to R2.5m, mainly on the short-term side and the interest bill is covered a comfortable 6.9 times by pre-tax profit (16.5%). Return on capital is advancing steadily.

The new management obviously has plans to expand the earnings base of Prescat as evidenced by the venture into foreign sales and MD Jerold Jacobson says the group is always on the lookout for acquisitions. The local market is comparatively limited, but with the improved financial structure and the influence of the economic upswing, it is reasonable to expect that the group will exceed the 16% four-year compound growth rate in earnings. It so, a 12c total dividend is possible which would put the share, currently trading at 123c, on a prospective yield of 9.8%.

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*Scott Hawker*
Stand Brass worried

By HAROLD FRIDJHON

A WARNING that the second half of the current year might bring difficulties for Standard Brass is implicit in the interim report for the six months to June. Earnings in the first half at 55.2c a share are only 2c above those for the first half of 1976 and an unchanged interim of 15c a share has been declared.

For the year to December 1976, Standard Brass earned 17c a share and paid dividends totalling 55c.

Profit before tax, dropped from R2 634 000 to R2 600 000 and the tax rate was higher at 31% (30.5% for the first six months of 1976) only because of a lower tax liability.

Last year the tax factor was 30.7%, the rate for the first half of this year was down to 34.4%.

A note in the interim report says that because of a sharp decline in the demand for rolling stock in the US, exports of bogie castings ceased in the second quarter of 1976.

At the same time the low demand from the South African Railways for rolling stock has caused the production of bogies, the company’s major product, to reach the lowest level since 1962.

The note says, "The reduced volume can only partially be offset by increased business in other areas."

In the report for 1976, the chairman, Mr G B Hobbs, said that as railroad castings for the South African Railways were traditionally the most important single sector of the SA market for steel castings, "the industry would now be in a recession were it not for the surge in exports."

In March, Mr Hobbs reported that the demand for rolling stock from the United States was still strong, but he warned that conditions were becoming more competitive and that the US market would probably have a limited life.

It would now seem that his predictions are being fulfilled and that the next six months will see Standard Brass battling in competitive markets both at home and abroad.

It looks as if the JSE has taken some cognisance of Mr Hobbs’s earlier warning. Standard Brass shares are standing at 6.5%, yield against an average of 5.1% for the engineering section.
Beating the skill crisis

In the past two years, L'Electron has undergone considerable transformation. Originally small operating groups marketing electronic components, microprocessors, process control equipment, mimic display control room equipment and Martin Rodgers aluminum cabinets, it now offers a more integrated range with emphasis on quality, organisation and engineering ability in the local manufacturing sector.

"Although competition has been intense, especially in the electronic component sector, our improvements have helped company image and profitability," said Mr. Dunbar.

"Support from overseas companies, together with the recruitment of technically competent personnel means we are better equipped to expand our local manufacturing activities in microprocessor based automation systems."

Anticipating a shortage of skilled personnel in South Africa, L'Electron, one of the country's leaders in microprocessors, has launched what amounts to a "do-it-yourself" system for engineers.

Now microprocessor automation can be put together on the building block principle—and the pieces can be used to design anything from a simple to a complex scheme—like the R1-million, fully-automatic control system recently completed for a mine.

"Our building block principle works almost like a Erector set," said Mr. John Dunbar, joint managing director of L'Electron.

"Instead of engineers having to design and build all the system, we save them time and effort by supplying them with completed building blocks.

Components include a wide range of sensing devices such as proximity switches, thermometers and flow controllers, as well as basic microprocessor units with surrounding equipment.

To back up their "do-it-yourself" system L'Electron has formed links with several overseas companies to give the local market a more concentrated range of interrelated components."
Slump forces cuts in ferrochrome output

By ADAM PAYNE

SOUTH African ferrochrome producers have cut back production by between 15% and 20% because of the slump in the stainless steel industry, particularly in the US.

The South African industry leads the world in output and competitive ability, its share of world trade having risen from 32% in 1973 to 53% last year.

Exports of ferrochrome last year totalled more than 650 000 tons and were worth about R260-million.

The largest South African producer is Samancor which has an estimated capacity of 280 000 tons a year.

Other leading producers include Consolidated Metallurgical Industries in the Johannesstahl, Middelburg Steel and Alloys; Gencor and Union Carbide's Tshabatse smelter and Feralloys owned by Associated Manganese, Anglovaal and US Steel.

While other producers say they have already cut back, Feralloys says it has not yet done so, but it may have to review its production plans in the light of the world demand situation.

Mr Cecil Carrington, a director of Johannes Metallurgical Industries, said, "We have cut back by 15% from our rate of production as opposed to our rated capacity of 120 000 tons a year. We were operating in excess of rated capacity and cut back from that figure." "It is probable that production will have to be cut back further. The level will depend principally on the situation in the US."

"Stainless steel producers use a charge of stainless steel scrap as well as nickel and ferrochrome."

"When US interest rates were raised, not only were the automobile and construction industries hit but stainless steel scrap merchants were unable to afford to hold stocks. They dropped their prices."

"This resulted in stainless steel producers increasing the proportion of scrap stainless steel in their furnaces. They also cut back production be-
Factory blast: cause unknown

Court Reporter
The actual cause of hydrogen and aluminium powder explosions at a factory which killed 12 men could not be pinpointed, a joint inquiry and
inquiry ruled today.

This was the verdict of a Johannesburg magistrate, Mr H P Hollhausen, and the Chief Inspector of machinery, Mr T M Leif.

They gave judgment after hearing evidence to determine the cause of death and the cause of the explosions in an atomising chamber at Supreme Metal Works (Pty) Ltd, Industria, on March 17.

The court found a spark and the flake of a match were two possible causes of the explosions, but evidence did not disclose any willful act by any person.

The court was therefore unable to pinpoint the cause of the explosions or to rule whether there was any negligence by any person who could be held criminally responsible.

They ruled out the possibility of a static electrical spark, photochemical or chemical means causing the explosions.

The joint inquiry disclosed various acts of negligence on the part of the factory management but
more probably was not enough to hold any person responsible.

This did not rule out the possibility of a prosecution instituted on the grounds of contravening the Factories Machinery and Building Works Act which will be dealt with by the Inspector of Machinery.

The prosecutor, Mr H A Knoop told the court it was his submission that the death of the 12 men was not brought about by any act or omission involving or amounting to an offence on the part of any person.
By IAN THOMAS
Mining Editor

EXTRA investment in Sasol by Vogelsstruisbult Metal Holdings has meant a lower interim dividend than there would have been, but results show a slight improvement.

Pre-tax profit rose to R1 776 000 (R1 607 000) in the six months to June 30 with the dividend remaining unchanged at 5c, and earnings a share rising slightly to 10.3c (10.5c).

In the last annual report, the chairman, Mr Robin Hope, said the company was committed to investing an extra R1 259 000 in Sasol up to about March 1981, and that shareholders should expect only modest dividend rises in the year.

Investment income in the second half is expected to rise and assuming the final dividend remains unchanged from last year, shareholders can expect a yield of at least 18% at yesterday's 118c price.
Benoni strike case judgment

**Labour Reporter**

JUDGMENT will be handed down tomorrow in the case in which 55 post-hand workers have been charged with holding an illegal strike.

The case is being heard in the Benoni Magistrate's Court. Evidence and arguments were heard on Monday and Tuesday.

The charges arise out of a work stoppage at a Potash company's black workshops. All 55 of the company's black workers were involved in the incident and must have been dismissed.

The workers were arrested soon after the stoppage began and some have faced charges of assault against the police.

They are all members of the Metal and Allied Workers Union which is affiliated to the Federation of South African Trade Unions (Frat).

Earlier this week, the company's managing director, Mr. P. P. Carstens, gave evidence for the State.

The defence called three witnesses, the chairman and two other members of the company's workers' committee.

The State alleges that the workers refused to continue working after an incident at the factory and that they therefore took part in an illegal strike.

Defence counsel alleges that the workers believed they had been dismissed by the company and did not continue work for that reason.
Lacklustre
Ver Ref promises better

By DAVID CARTE
Deputy Financial Editor

VEREENIGING REFRAC- TORIES pushed up pre-tax profit 10.5% to R104 000 in the six months to end June but switching to the conservative, tax-saving life method of stock valuation reduced pre-tax profits by R60 000 to R74 000.

Last year's figures have not been adjusted for life, according to the chairman, Mr Graham Bousted, because it would have been too complicat- ed and expensive an exercise.

This makes after-tax comparisons academic: Nevertheless, despite life, earnings grew 18% to R40 120 000 (1979: 3 383 000) or from 67c to 79c a share. The interim dividend rose more or less in line with pre-tax and taxed profits from 6c to 19c.

Sales were 23% to R362 000 (R292 000) in the first half, which means pre-tax margins before life declined slightly from 18.8% to 17.6%.

An important factor in the improved results was the decline in the tax rate from 39.9% to 34.3%. This was due largely to the return to profitability of Vitro Clay Pipes, on which tax is not payable because of past losses.

Mr Bousted told me that overstocking of refractories by steel-makers and improved经商 lives had reduced demand in the refractories market but steel-makers were doing well at the moment and demand was expected to improve soon.

Another problem had been the switch out of Coverland tiles at Mitchell's Plain to save costs. Mr Bousted said that some losses at Mitchell's Plain were now being recouped with Coverland Tiles and the company, too, should better reflect the boom in building materials in the near future.

The interim reports say trading conditions in the building industry are likely to improve for the rest of the year and the refractories industry did not experience the same upturn at the first half, but an improvement is expected in the second half.

The group profit in the second half is expected to be better than during the first half.

Comment: Many in the market will be disappointed at these figures. Other capital inten- tive companies serving the steel and building industries have shown huge profit increases on even small sales increases.

But indications are that the action in Ver Ref is about to start. The dividend is covered four times by earnings of exceptional quality, so the share will not doubt be snatched up at any weakness following these results.
The contract to build two turn-key coke briquetting and materials handling plants worth R50m at the Vanderbijlpark and Newcastle steelworks (FM July 25) has been awarded by Iscor to Didier (SA), the SA agents for the international consortium of Didier Engineering of Germany and Voest-Alpine of Austria.

The work will start immediately up to 50% of the total coal charge in the coke oven. The increased strength of the coke, which is required for the production of hot metal in blast furnaces, improves the efficiency of blast furnace and iron-making operations.

The two new plants should greatly improve Iscor's overall profitability. Mielies van Wyk, Divisional GM of Steel Operations at Iscor, insists on an increase in blast furnace production capacity of 10%, a reduction in the coke rate by 2.5%, and an improvement of 4% in the metallurgical coke yield.

Part of the contract is a long term know-how agreement which will ensure that Iscor gains full access to the knowledge required to optimise the application of this new technology to local coal, which is completely different to coal elsewhere.

Iskor will experiment with different blends of briquetted low quality coal and non-briquetted high grade fine coal to obtain uniform quality - only when the qualities of the two coals are equal can the process succeed.

This is the second large contract placed by Iscor with Didier. The first was part of the R10m expansion of Iscor's coke-making facilities at its Vanderbijlpark works, which involved building three coke oven batteries, comprising 145 ovens - a project completed in 1976. The contract also included the materials handling, all the required machinery and the by-products plant at Vanderbijlpark.

Besides partial briquetting of the coal charge - the process which Iscor has now decided on - Didier Engineering (Germany) has also developed the BKS formed coke process which is based on 100% briquetting of the coal charge, and the precarbon process in which fine coal is dried and pre-heated prior to its entering the coke oven.

Voest-Alpine, the Austrian state-owned steelmakers and builders of industrial plants, own 70% of Didier Engineering in Germany and, together with Didier, employ over 2,000 engineers.
Select back in black
sees 20c earnings

By SHAUN HOLICK
SA SELECTED HOLDINGS, which was saved from insolvency through the injection last year of the Inter-Continental and Robert Skok group of machine tool companies, is viable and set to earn at least 20c a share in the year to February 1981, says the annual report.

Sales in the first four months of the current year exceeded R15-million, says the annual report. Last year sales for the full year were R24.16-million. With the announcement of many new capital projects, Select sees a "very bright future" over the next two years and sales should beat last year's R24-million total by at least 50%.

Select remains an investment holding company, but is now geared to the supply of equipment to the engineering industry.

From a loss of 21c a share in the year before acquiring the Inter-Continental/Skok interests, the group has swung to a profit of 5.6c a share in the 12 months lately ended says the chairman, Mr Robert Skok.

But because the 14-month contribution of the Robert Skok group has been annualised in these results and the preference shares existed only in the last three months of the year, the figures are not comparable.

Mr Skok says Select is "on the way to becoming a soundly based company serving the needs of the market place and generating a steadily increasing flow of profits and dividends."

In line with a policy of further engineering acquisitions, the non-engineering investments - a 70% stake in Sinclair Holdings and 11% of Tramecor - are to be sold. Sinclair will be sold by the end of this financial year.

Because of this policy, the Select directors decided to capitalise R149,000 of interest relating to the Sinclair investment. The directors say that the receipts from the sale of these investments "will be more than sufficient to offset Sinclair's increased book value."

On turnover of R24.100,000, pre-tax profit rose to R1,700,000 and taxed profit increased to R1,290,000. Last year's R720,000 loss was sustained.

Total net borrowings appear to have risen from R7,062,000 to R8,100,000 of which more than R8-million looks to be short term, but because most debt is either to creditors or to Mercantile Bank, the interest bill was only R424,000.

COMMENT: The company may well be back on the track, but its debts are daunting, even if they are largely interest free. It's a share for brave souls at 158c.
Search on for family of fire victim

The search is on for the family of a dead man, in order to hand them compensation for his death.

The dead man was Mr. John Gaegatwe (55), popularly known as Motswa. He was one of the victims of the killer blaze at Industria, Johannesburg earlier this year.

Mr. Gaegatwe was working as a labourer at Supreme Metal Works when fire swept the factory.

He and 11 others were killed. He was buried by friends and volunteers as his family could not be traced.

He was believed to be either from Vryburg or Potchefstroom, but enquiries about his family have drawn a blank.

The company wants to give his next-of-kin an undisclosed sum of money.

MONEY

Company spokesman, Mr. Leroe Jekhola, said, "This man's family has a lot of money due. We would like them to show up. He also has valuable belongings like clothes and furniture which they can claim."

Mr. Gaegatwe's pension can also be paid out.

Mr. Gaegatwe was believed to have lodged in Naledi. Plural Relation offices could not give any information about him nor could the Reference Bureau in Pretoria. His reference book number was 1/00286129.

Mr. Gaegatwe's personal file at work said was married to a woman called Emily, and in another file, his wife was named Mapume. The file shows he has children, Japho (33), Ma-Gaegatwe Mzimba (29) and Mathalammong Elizabeth (23). He has a brother called Matisso.

It has since emerged that he had a son working for the South African Police. A letter has gone to the Commissioner of Police.

Anybody with information should contact Supreme Metal Company in Industria.
ICAL SLOW, BUT NEI 26% AHEAD

By DAVID CARTE

Despite Financial Editor

In spite of under-budget profits, the wholly owned subsidiary of Nothern Engineering Investments pushed up turnover 77% and pre-tax profit 36.5% in the six months to the end of June.

The interim report shows turnover up from R34 530 000 to R51 865 000 and pre-tax profit from R3 245 000 to R4 115 000.

The tax rate was more or less constant at 40% and taxable attributable profit was 26% ahead at R2 471 000 (1979 R1 923 000).

Earnings rose 28% to 47.5c (37.4c) a share and the dividend was raised in line from 12c to 14c.

The rise in profits and turnover was partly due to higher turnover in Ical and partly to the inclusion of Reyrollie Parsons and one or two smaller new acquisitions for the first time.

Because they are into lower margin areas of engineering, the acquisitions also had the effect of reducing margins.

The managing director, Mr H. "Blitz" Bieber, tells me order books are "very healthy" and that although profits on some Ical contracts were below budget, they were still profitable.

Mr Bieber says these contracts have been conservatively allowed for and are now billed.

Ical is therefore optimistic for the future, forecasting better profits in the second half.

COMMENT. The second half is traditionally better, so this is not a bold forecast and it would be disappointing if it were not easily beaten.
Battery firm, union clash over strike

By STEVEN FRIEDMAN
Labour Reporter

ABOUT 40% of the strikers at an East London battery factory, Ray-Lite batteries, have returned to work, the company's managing director, Mr. D G Saunders, said yesterday.

New workers were being recruited to replace those who had not returned, he added.

However, the South African Allied Workers Union last night denied that workers had begun returning and said they had decided not to do so until all were reinstated and the union was recognized.

About 50 workers staged a "stay-in" strike on Wednesday after management had refused to deal with a worker committee elected under the auspices of the SAAWU.

Police baton-charged workers in the company canteen after they had refused to return to work.

The union says management will not deal with it because it is not registered, but Ray-Lite says the union refused to present evidence of its "bona fides".

In another development, the union expressed concern about its president and national organizer, Mr. Richard Gwertz, who disappeared yesterday.

A union spokesman said Mr. Gwertz had left the office early yesterday morning to negotiate with management at Ray-Lite and had not been seen since.

"The company says that the negotiating meeting ended this morning and we are very worried. We do not know what has happened to him."

Mr. Gwertz said on Wednesday that strikers would not return until he had negotiated with management yesterday.

Mr. Saunders said yesterday that he had met the union and reiterated an earlier undertaking that strikers who returned yesterday would be reinstated.

He said 40% had returned but it was not clear what the final total would be, as nightshift workers still had to report.

He said production was not yet back to normal but added that "we are concentrating on maintaining key areas of the plant and these are all fully operational."

The union said in a statement that it had asked Mr. Saunders to confirm in writing that all workers had been reinstated. He had refused to do this, saying that would constitute recognition of the union, SAASU said.

All workers would now remain on strike until the workforce was reinstated and SAASU was recognized.

The company regarded those workers who did not return yesterday as dismissed and was already replacing them with new recruits, Mr. Saunders said: "There is a lot of unemployment in this area and we had 200 people outside our gates looking for work this morning."

Those who had been dismissed could be replaced easily because "our hourly paid workers are either unskilled or semi-skilled and very little training of new labour is required," he said.
Reunert record, final 18c raised

By HAROLD FRIDJHON

WITH record earnings of 123c a share, 28% up on the previous year, Reunert & Less has increased its final dividend for the year to June 1980 to 27c, making 42c for the year compared with 31c last year.

The preliminary report shows that taxed profit was R4 475 000, compared with R1 985 000 for the half-year to December, and R3 509 000 for the previous financial year.

Compared with R66-million in 1979 and R81-million for the half-year, the past financial year achieved a turnover of R110-million which is the highest in the company’s history.

Mr J M Reunert, the chairman, says that this improvement has come primarily from the better economic climate which has prevailed since mid-1979 and which became increasingly apparent in the first half of 1980.

Revenue from all sources in South Africa increased, both in day-to-day trading as well as in the contracting operations.

The Zambian and Zophab-Ween subsidiaries made increasing contributions, but these amounted to 12% of group profit, compared with 15% in the previous year.

The outlook for the current year is encouraging, he says, and the group is budgeting for a further increase in profits in the current year.

COMMENT: This is a company with an outstanding growth record. Earnings have gone up every year in the past 10 years — from 36c a share in 1971 to this year’s 123c and dividends have been increased almost in pace with earnings.

The group is well placed to share in the accelerated spending on fixed capital investment which should become apparent in the current half-year largely because it is a supplier of equipment in the mechanical and electrical engineering fields, the sectors which will be responsible for providing the stimulus of growth.

At 70c a share, the investment yields 6%. The shares are a tight market, but because of the group’s growth record they are worth including in any forward-looking portfolio.
Coke plants

**cost R50-m**

Diotier (SA) (Pty) Ltd has been awarded a R50-million contract to build two coal briquetting plants for Iscor.

The plants will be at Iscor's Newcastle and Vanderbijlpark works and will be completed by mid-1982.

The plants are based on the sumcoal process and will be the first built outside Japan.

Iscor estimates daily production of up to 8,000 tons of briquettes to provide high quality coke used to produce hot metal in blast furnaces — Sapa.
Highveld raises final to 20c

By DAVID CARTE
Deputy Financial Editor

SOARING domestic steel sales made up for declining fortunes on the vanadium and ferroalloys export side to enable Highveld Steel & Vanadium to post a 61% profit increase in the year to the end of June.

The preliminary results released in London yesterday but scheduled for release to South African shareholders only on Monday, show pre-tax profit up 51% to R70 110 000 (1979 R43 970 000) and taxed profit up in line to R43 900 900 (R27 300 000).

Earnings a share, with stocks valued on life, were 64.6c (40.3c) and the final dividend was raised from 14c to 20c, making 29c for the year, a 45% increase on 1979’s 20c.

Cover was 2.2 against 2 in 1979.

Highveld was 61% ahead at the interim when earnings were 29.6c, and it forecasts “at least” maintained profits in the second half, suggesting around 60c for the year. In the event that target has been beaten by 8%.

The managing director, Mr. Leslie Boyd, told me that with a further improvement in domestic steel in prospect and the No 9 kiln due to add to volume soon, he foresaw another good year and was confident this level of profitability could be maintained, even though ferroalloy production was being cut.

He said that in an excellent first half, demand and prices for vanadium and ferroalloys overseas had been buoyant and the rand weak. During the second half the strong rand and declining export demand meant a substantial decline in ferroalloys and vanadium.

But demand for heavy structural steel sections and plate had risen “significantly” to compensate.

COMMENT: At 83.5c, Highveld yields 5.5%, which makes the price look full but fair.
Abercom boosts earnings

Value analysis is by attacking the product, which operates and by which makes it work.

The essence of this function is to determine the field of the concept of cost.

Many terms are used in value analysis. A programme aims to identify the elements of production, of a part, and achieve the desired results or cost.

The relationship of functional value is a relative term determined by the desired function for the instant, but there are so many complex variables that achievement is nearly impossible.

Abercom, the international engineering group listed on the Johannesburg and London stock exchanges, earned a record R9.9m for ordinary shareholders in the year ended June and is looking for even better results in the current year.

The Audited figures issued today, only six weeks after the year-end, show that this was a 57 percent rise on the previous year.

The dilution effect of the 35-for-100 rights issue through which the new management team re-balanced the debt-equity ratio at the end of the 1979 financial year turned this into a 6 percent increase in earnings which moved up from 48c to 51c a share.

DIVIDEND

A final dividend of 13c a share is being paid to bring the total for the year to 26c, against the previous 20c.

Today's figures show that demand increased in all areas of Abercom's business, with sales rising 24 percent to a record R164m.

"This trend, together with further improvements in the way the group is managed at all levels, enabled us to improve operating margins from 5.8 percent to 8.0 percent," Mr Herbert, the executive chairman, said today.

Pretax profits - probably the best single indicator of performance because of the distortions flowing from the rights issue - jumped by 52 percent to a record R12.2m. This figure is almost three times the instant, but there are so many complex variables that achievement is nearly impossible.
Seardel is looking for solid progress — Searll

By DAVID CARTE
Deputy Financial Editor

AFTER boiling earnings 14% in the year to end June, Seardel, with Sharp Electronics in the stable, is looking for more solid progress in the year ahead, says the chairman, Mr Aaron Searll.

With 24 of 26 operating companies reporting much improved trading, Seardel pushed up sales 19% to R115 125 000, pre-tax profit 91% to R9 769 000 and, thanks to a lower tax rate, attributable profit 146% to R5 027 000.

Earnings a share rose in line to 15c (1979-61c), while the final dividend was raised to 18c (16c), making 44c for the year, a 21% improvement.

Profits are stated on the conservative life method of stock valuation, so cover is even more substantial than the 6.5 times reflected in the stated results.

An important factor in the results was the write-back of an undisclosed over-provision for life at subsidiary, Western Tanners in 1979, Mr Searll told me yesterday.

According to the recent prospectus, new acquisition Sharp was expected to add 14c to earnings. With sales expected to top R5-million in the year ahead, Mr Searll is confident it will do better than this.

Mr Searll said the extremely high dividend cover was designed to enhance liquidity and to help finance the higher level of stocks and debtors required in the much improved trading climate.

COMMENT

The results, released in Cape Town and published briefly in this newspaper on Friday, but advertised in Johannesburg only today, carried the share to a new high of R4.06 yesterday, before it closed on R4.00.

The yield of 4.4% might look thin, considering the group has yet to establish itself as a blue chip. But considering growth prospects and that earnings are life-based, the earnings multiple of 3.5 makes the share look fair value.
A new set-up on mining scene

Minin Editor

MINING equipment supplier, Carman Industries has set up a new company, Carman Projects to handle turnkey projects.

Headed by former Olympic Engineering director, Mr I L Rautenbach, the firm installs crushing, screening and conveyor systems to the mining, quarrying and allied industries.

Carman Industries' managing director, Mr Henne Nagel, says that apart from mining industry demand, he expects an increase in demand from the quarrying industry, as a direct result of increased activity in the construction sector.
Union sues over magazine report

DURBAN — A managing director and his company are being sued by the Metal and Allied Workers Union (MAWU) and the union's general secretary.

The action against Mr William Richards and Glacier Bearings, a British subsidiary, was brought by Miss June Rose Nala and MAWU, an unregistered union.

Damages of R4,000 were claimed in the Durban Supreme Court.

Glacier Bearings is part of the Associated Engineering Group in South Africa, which is nearly two-thirds owned by Associated Engineering of the United Kingdom.

In papers before Mr Justice Krisk, MAWU alleges that Mr Richards told the Financial Mail in an interview that "some people tell us they are forced to sign pieces of paper, or get beaten up."

MAWU maintains that when the statement was made, Mr Richards was discussing the activities of MAWU at Glacier Bearings and the statement reflected adversely upon MAWU and the general secretary, or the organisation's recruiting techniques, or methods of motivating workers.

In the light of the controversy, MAWU alleged that the statement made by Mr Richards was initiated by malice and calculated to injure the reputation of the union.

Mr Richards and Glacier Bearings, who are defending the action, maintained that the statement in the Financial Mail was wrongly attributed to Mr Richards or that alternatively the statement did not refer to the plaintiffs and was not defamatory. — Sapa
Iscor going for R40m

By HAROLD FRIDYSON

ISCOR'S surprising entry into the capital market has been undersubscribed to the amount of R49 million. The Iron and Steel Corporation had announced that it was prepared to accept between R35 million and R50 million.

The lists for the loan, a seven-year at 10.55% and a seven-year at 9.75%, will open tomorrow and close on Tuesday.

The sponsoring merchant banks, E.A. Smuts, Key and Selmin, are well satisfied with the result so far, although they are not yet in the position to indicate how much of the loan is short and how much is long.

The reason for this, it is said, is that the underwriters have reserved the right to keep their books open and will intimate which issue they will support closer to the closing date.

Some of the underwriters are at 1% on these and undertaking their share of the issue without the assurance of taking up the others unless public support is lacking, an unlikely event.

With Vredestein long-dated trading at 10.72% — in very thin markets — it might appear as if the first long-dated is, as I have said previously, a little long.

On the other hand, some institutions might take the view that rates have peaked for the time being and that a 10.55% rate might be acceptable for those with large amounts seeking an outlet.

There is no doubt that the shorter term loan will prove to be very popular and will attract the bulk of the R40 million.
Rights issue, tax slow Abercom

By DAVID CARTE

Deputy Financial Editor

ABERCOM, the diversified engineeering and metals group, increased pre-tax profit 23% in the year to June 29 but a higher tax rate and more shares in issue following last year's Rights Issue led to a 6% drop in earnings per share to 47½p.

The preliminary report shows sales up 23% to £41.1m, pre-tax profit up 55% to £13.7m, with the tax rate up from 11% to 17%. Tax attributable profit 32% ahead at £6.6m.

With 30% more shares in issue since the rights issue, earnings per share were 6% down and a final dividend of 3p was declared bringing the year's total to 3½p. a 23% improvement on 1979's 2½p.

Second half earnings per share were 15% better than those of 1979. This indicated buoyant trading in the latter part of the financial year and that the rights capital raised at the end of the last accounting period is now being beneficially employed.

According to the preliminary report, demand increased in all areas of Abercom's business and pre-tax margins improved from 6.5% to 7.5%.

Mr Herbert said that while companies operating the building and motor industries had felt keen interest in Abercom's stock between March and August, in particular, interchange and the board were confident that the property and construction sectors were now returning again.

He was confident the group would go from strength to strength from here.

Despite "management difficulties" in the large industrial tank maker, Consort, the new engineering division did well, with Hackett Taylor, the firm's chairman and director, commenting that the group had started the year with Order books in healthy shape.

According to Mr Herbert, Consort's problems have been solved with the appointment of a new managing director, Mr Richard Ashin.

The preliminary report warns that past emphasis is now being changed and the tax rate could go higher. Mr Herbert would like to go to a high of 30%.

The light engineering division reported reduced profits due to the completion of orders in 1978. Grant Engineering and Hackett Metal Industries are embarking on a new order book at Abbots Engineering and Consort are now sold to Mr Herbert, an improving fast.

Grant had recently entered a joint venture with Pirche in the most advanced and highly competitive market in Europe and the Middle East.
Learning Angelo is a big wrench for Sam
S & L in R1.7m Tubeworks project

The Stewarts and Lloyds board had approved a capital expenditure project of R1.7 million for a new stainless steel mill and ancillary equipment at the Vereeniging works of Tubemakers of South Africa, it was announced yesterday.

Mr Hyton Godwin, executive director of the Vereeniging division of Stewarts and Lloyds, said that this new project would triple Tota's production of stainless steel tube, in 12.5-mm to 100-mm range.

"This will enable us to cater for a substantial proportion of South Africa's requirements," he said.

"The major applications for stainless steel tube, which is seen to be a growth market, include the food, dairy, sugar and petrochemical industries."

Work was already far advanced on the acquisition of the necessary plant and production would come on stream in mid-1983. — Sapa
Alusaf to buy
Japanese smelter

By ADAM PAYNE

ALUSAF, the Richards Bay aluminium smelter in which IDC and Aluminium hold big interests, is to buy a Japanese smelter now in mothballs and save itself embarking on a mooted R280-million expansion programme.

The purchase of the smelter will enable Alusaf to double production.

Alusaf is in the final stages of buying from Nippon Light Metals a 97 000 tonne-a-year smelter. It is one of many smelters closed in Japan because of high energy costs there.

Nippon says that the price is not settled but it hopes for between $44-million and $66-million.

Provided the deal is finally signed by the end of August, the shipment of the smelter, which will be a costly operation, will begin at the end of the year.

Mr D E J van Vuuren, managing director of Alusaf, has been in Japan talking to Nippon.

His deputy, Mr Johannes Diemont, says that the local market for primary aluminium is so firm that Alusaf has either postponed a number of contracts or repurchased aluminium from contractors or negotiated cancellation of export contracts.

First priority is given to local orders with the local price Rs 6 696 a ton. Mr Diemont told me that only 13 000 tonnes of primary aluminium had been exported this year and he foresaw no exports in 1986.

"We shall have to build up stocks," he said.

The present capacity of Alusaf is 84 000 tonnes per annum and that of the plant to be imported is marginally higher.

Japan is in trouble in primary metal manufacture because its energy costs are among the highest in the Western world and because pollution measures have put a damper on some of its older aluminium smelters.

Because of its difficulties a number of smelters—some of them outdated—have been closed. The smelter to be bought by Alusaf, however, is comparatively modern with anti-pollution measures built in.

More smelters will be closed in Japan and that country will be in the market for considerable tonnages of primary aluminium, some of which could be supplied by Alusaf.

Japan is expected to buy 1 million tons and 2 million tons a year of primary aluminium by 1986.

Because of this big prospective market and because of increasing internal demand, Alcan in Australia is beginning detailed engineering studies and final economic evaluation of a proposed 2 266 000 tonnes a year aluminium smelter to be sited at Gladstone, in Queensland.

These studies should be completed by the first quarter of next year and the first phase of production, scheduled to begin about the end of 1983, will provide a capacity of 88 000 tonnes a year.

Most of the production from Gladstone will be exported in competition with Alusaf’s products. A NSW smelter provides for the local Australian market.

A senior executive in the aluminium industry told me: "The installation of the Japanese smelter at Richards Bay to double production will provide primary aluminium far beyond the needs of the local market for the next few years. It will start producing in mid-1983.""Therefore exports will be needed. But at the same time we shall promote aluminium strongly locally because consumption here is among the lowest in developing countries at 3.5kg per capita, compared with 21kg per capita in the US, 11kg in Western Germany and 7kg in the UK.

"We lag behind in transportation where aluminium is used overseas on a great scale in road and rail tankers because of energy saving, not only when the tankers are filled but also on their return journeys."

"With aluminium rail and road trucks the transporter achieves a high payload and energy saving. Trains are also built in aluminium for the same reasons."

There are big markets to be exploited in defence and building.

"Aluminium is only at the beginning of its marketing in South Africa. The doubling of capacity at Alusaf makes a lot of sense for the long term."

He pointed out that South Africa, Australia and Brazil had advantages in aluminium production because of relatively low energy costs. Energy is one of the main ingredients in aluminium manufacture. Australia has the double advantage of fairly cheap energy and its own bauxite.
Calan earnings up 30%

By DAVID CARTE
Deputy Financial Editor
WITH SUBSIDIARIES Omega-Barfard and Litecor, turning in "sparking" performances, Calan, the plastics, rubber and electrical conglomerate, pushed up earnings 30% in the year to end June.

Turnover rose 24% to R193.360m, pre-tax profit 33% to R1.311m, and, with the tax rate up from 29% to 29.5%, tax paid profit 44% to R1.062m.

The majority share more than doubled to R51m, but, with the year's loss, made Cott-Calan now sold, the associated companies' contribution rose 94% to more than make up. Taxed attributable profit was 45% ahead at R121m.

With the number of shares in issue up 11% following the take-over of Dirk Whittington Shoes, earnings per share rose 30% to 10c (7c). The final dividend was raised 4c to 28c a share, making a total of 48c for the year, a 21% increase on 1979/80's 33c.

Managing Director, Mr. L.R. Tollemache, told me that excellent results from plastic crate and container maker, Omega-Barfard and electrical subsidiary, Litecor, offset a sluggish performance by tyre and rubber maker, Natyre, once the group's biggest profit maker.

Mr. Tollemache said Natyre did not benefit by the upturn in the motor sector as it supplied the replacement and not the original equipment market. It would take a year for today's boom in motoring to start benefiting Natyre.

The company was profitable, however, and improving.

All other subsidiaries were trading at record levels and, although he expected the tax rate to move up to roughly 30%, Mr. Tollemache said there was "no reason to be pessimistic" about the immediate future.

Balance sheet ratios, had improved, he said, with debt as a percentage of equity down from 100% to 4% and profit after tax on equity up from 17.8% to 19.5%.

Calan had its eye open for acquisitions but was concentrating expansionary effort within existing operations. Capital expenditure of R10m was planned, R1.5m of which was earmarked for a PVC compounding plant at Omega.

COMMENT: With Vinnual and Cott-Calan sold and Dick Whitington bought, the group has changed, apparently for the better. Calan is unashamedly a conglomerate and although it is mainly in plastics and rubber, it has such unrelated business as Encyclopaedia Britannica.

Its prospects are so diversified, prospects cannot be judged by reference to one or two markets or industries. This and troublesome subsidiaries in the past, have hurt the rating. At 55c the share yields 7.5%, well above its conglomerate rivals. Bencod, Proten and Abercon.

Calan has the gearing to run with with them in earnings growth over the next year or two but lacking an identifiable, exciting profit centre, will continue to trade at a discount to the others.
Storm brewing over machine tool shortages

Importers of used machine tools, who can fill gaps quicker in times of abnormal tooling-up in burgeoning industries, naturally want to cash in on the boom, but excise duties make business an uneconomical proposition, they say.

The Used Machine Tool Merchants’ Association has calculated that the cost of a 2.5 ton used lathe, bought for R£ 800 in the UK, is R£ 12 700 after paying a duty of R£ 4 a kilogram less 70% of the FOB value, plus freight and insurance.

A similar new lathe costs between R£ 18 000 and R£ 19 000.

The association, formed in April last year to encourage high trading standards in the used machine tool sector, says it represents a sector with annual sales of about R£ 40-million (approximately 20% of machine tool sales last year).

But now delivery times are lengthening and the firm cannot satisfy soaring demand.

Mr Witter has some comforting news for industrialists scrambling for machine tools: He says the recession in the machine tool industry overseas is good news for South Africa and that the shortage of machines will ease substantially towards the end of the year.

Robert Skok, managing director of SA Select Holdings (Salect), is optimistic about the supply situation although admitting that delivery times of presses are long.

The Salect group carries R£ 10-million worth of machinery at a time, sales of R£ 18-million have been chalked up in the first five months of the year and Mr Skok foresees the year’s sales at R£ 40-million.

Mr Skok forecasts doubled profits for Salect this year, with earnings up at 50c from 10c and the dividend raised to 10c from 2c.

No wonder Salect shares have hit the JSE’s top trading list recently — almost 900 000 shares were traded over the past week.
Alusaf starts on R200m growth plan

Financial Editor

ALUSAF has started on a R200m expansion programme at Richards Bay, which is aimed at doubling current aluminium smelting capacity and providing 350 new jobs.

This brings the value of developments to R650m. Recently, Hulett announced plans to build a R120m sugar mill at Felixton and the Coal Terminal will spend R230m on expanding the loading facility while the Railways are to upgrade the railway, trucks and harbour berths.

Mondi Paper

More expansion is expected but Mondi Paper, which is expected to say something soon, is very quiet about its plans for a paper mill in the area.

Mr D E J van Vuuren, managing director of Alusaf, has just returned from Japan, where he has negotiated the purchase of a modern second-hand aluminium smelter from Nippon Light Metals.

It has an 87,000 tons capacity and it is planned to export the surplus until local demand reaches the plant’s output, which will total about 170,000 tons. The new smelter should be in operation within 18 months.

Mr van Vuuren said the final contract is expected to be signed soon. Preparatory work on the site has started.

Local loans

Legislators have requested that the Department of the Treasury consider a request by the Eastern Cape and the Western Cape to provide capital grants to Local Authorities for new local authorities.

Legislators also have some misgivings about the recent introduction of Local Authorities and have asked that the Local Authority Act be reviewed to make it more relevant to modern times and to reflect the needs and interests of the electorate.
SHIPPING

Down in the dumps

As Western economies approach recessions of varying depths, ship-owners may be forgiven their unrequited gloom. They have good reason to fear for their future. Not even the rich SA-Europe trades, spurred by the sharp revival in the Republic’s fortunes, have recovered to the levels up to 2000 when the members of the SA Europe container service (Saeces) based their viabilities in 1974 when they ordered their first purpose-built container vessels.

Based on the trend lines of the “Fabulous Sixties,” owners projected that 1980 volumes of trade would be running at an annual 7.5m-7.6m freight tons, about 4.5 Mt on the southbound (import) leg, with 3 Mt-3.5 Mt going north on the export leg. Despite huge levels of project cargo tonnages, the actual performance of the container service is an annual 2.75 Mt on the south leg and about 2.3 Mt on the northbound leg, leaving an appreciable amount of slack to be taken up.

For the sake of stabilizing trading costs it is important that owners achieve the volumes of business for which their ships were designed.

The odd that this will happen appear to be promising. Thanks to gold, the Republic is running huge trade surpluses and the Reserve Bank estimates that the value of imports will rise 90-95% a year between now and 1982, from R12 000m to about R18 500m. While non-gold exports will clearly not balance these massive surpluses, resulting in projected deficits of R4 500m, R8 200m and R7 000m in the next three years, the bank believes that an average gold price of $320 an ounce to close the gap this year, $380 next year and $520 in 1982.

To avoid aggregate demand exceeding the domestic supply of goods, which would force prices up, the import taxes have been opened and ocean-borne trades may be on their way back to the levels when SA ports were handling 1m freight tons a month. The September 1975 deviation

and subsequent austerity budgets (and the 15% import surcharge) squeezed seaborne imports in 1977 — of which the fledgling Saeces carried a mere 3.2 Mt, less than half the projections.

Faced with excess capacity, liner operators cancelled one or two building contracts while two large fully cellular ships due to arrive in the second half of 1980 — the Hugo von Hofmannsthal and OCL’s Table Bay — were placed in time charter employment on other trades.

Even so, owners ran up annual operating deficits compounded by adverse exchange rate movements against the United States dollar, the conference tariff currency.

Despite voyage results in the SA-Europe trades set in motion a cycle of self-suffocating gloom. Negative cash flow items are so enormous that some owners found it necessary to raise freight rates which, in terms of the 13-year ocean freight agreement with Pierson, they are required to do. The agreement stipulates that, in return for providing an integrated, regular service “at stationary rates of freight,” owners are permitted a 6.25% depreciation allowance on container ships, 13.3% replacement allowance on boxes and a 12.5% return on capital employed on the three-year contract.

Owners say these returns are purely notional when charges are depressed, for rates of freight usually reflect what the market will bear. Even so, rates since 1977 have been rising at about 15% a year, which is roughly in line with general inflation rates.

Undercutting

But owners had to fight another bogey. When cargo trades are depressed so too are charterers. It is the latter that are falling (and that is the essence of the problem). The market is responding to the present economic upsurge of some 4-6% a year, but there is a great deal of leeway to be made up before optimum volumes are achieved.

According to owners, southbound flows are beginning to match capacity, particularly because project cargoes of heavy plant for underdevelopments such as Sasol 3 are beginning to peak, before fading out at the end of the year. Then, hopefully, they will be succeeded by project loads for schemes initiated by Sasolchem, AECI and cargoes required for reinvestment schemes for the textile industry. Simultaneously, new coal and gold-mining projects are expected to generate heavy additional import tonnages.

Prepared with capacity import runs, merchandise export voyages remain disappointing with up to 30% unutilised capacity on fully cellular ships. Therefore, excessive are expected to increase thus raising pressure on owners to cross-subsidise rates of freight.

However, grounds for optimism do exist. SA liners and bulkers serving southern African trades could pick up substantial new business if, policies permitting, major reinvestment and export schemes follow in the wake of the economic reconstruction of Zimbabwe, Zambia, Zaire and Mozambique and the export needs of Tanzania.

Negatively, there are SA owners who say the market will bear 3.2 Mt.

The next great leap forward is expected to come from coal, exports of which will go to an apparent 3.7 Mt a year in the next 10 years. But first exporters

will have to kick their habit of selling on a load basis. This may not be all that difficult because coal is thus developing into a seller's market. In terms of tonnage, world coal production (about 1.600 Mt a year) is about the same as world oil output. But whereas two-thirds of world oil trade is seaborne only 6% of coal is thus carried. Until recently the vaster transport and the cheapness of rival fuels limited the expansion of seaborne coal trade. This is about to change. In 1975 SA's coal exports were only 700 Mt.

In a similar trend developments in SA, it may be worthwhile for local bulk owners to switch to the growth is business in the local bulk shipping

Depressed cargo trades and excess capacity are still pressing

problems

Now 189 Fm 15880

Bulk shipping trades between SA and the rest of the world would normally be relied upon to correct at least part of the balance which exists in the Republic's merchandise trades with the industrialised nations. But bulk shipping is never normal unless a ship's employment is secured by a long-term contract. But even that can be hazardous as any student of world-scale rate movements will confirm.

The uncertainty of the bulk shipping business, which is as volatile as the markets for the commodities it conveys, requires accurate timing in the placing of orders for new ships which will not come on stream for some years: 25 years.

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Three Iscor officials injured

Vereniging Bureau

Three officials at Iscor, Vanderbijlpark, were injured and admitted to hospital yesterday morning when they fell 12 m from a scaffold which gave way.

The injured men, who plunged on to a pile of bricks, were part of a team of nine whites and 12 blacks working in one of the ovens at the plant.

Mr Piet van Vuuren (37), received multiple fractures. Mr Johan van der Heever (34), broke three vertebrae and Mr Al Knook (47), suffered a broken vertebra and torn ligaments in a foot.

They were admitted to the Vanderbijlpark Hospital. The other patients, members of the same team, were in critical condition.

Mr van der Heever said that no one in the team knew what had happened as it was all so sudden. He said he and his two colleagues were standing on the fourth-floor scaffold when it gave way and they plummeted to the ground.

The condition of the injured men has been described as critical.
Big boost
for

Durban

shipyards

Shipping Reporter

DURBAN's shipbuilding industry is gearing itself for a massive injection of funds to handle lucrative contracts expected from Safmarine.

A senior Safmarine spokesman made it clear yesterday that the line now regards the local industry as being capable of producing many of the ships it will be needing.

And reliable sources within the industry have indicated that Safmarine will shortly be turning to the local industry to construct a 32,000t 'handy carrier' to replace the ageing bulker Sagela.

These contracts would mean that building facilities in Durban would have to be expanded.

The spokesman said Safmarine was anxious to keep its money in the country, 'buy South African' and ensure the future of the fledgling industry which came close to founder last year.

Good footing

Another factor making the proposition of a local contract suddenly more realistic is that the easy availability of Iscor steel puts the South African industry on a good footing in tendering on the international market at a time when foreign yards are finding such materials expensive.

'We believe the South African industry is going to become very competitive,' said the Safmarine spokesman.

Although no contracts have been signed yet, the implications of Safmarine placing even one contract with a Durban yard are far-reaching. The yard would have to increase its physical capacity to be able to build a ship far bigger than any other vessel ever made in South Africa.

It is unlikely that the yard would set about the task with the intention of only building one big ship after increasing its capacity.
R200m Alusaf expansion means jobs for 950

Own Correspondent

DURBAN — A R200m expansion programme — creating jobs for an additional 950 people — has been announced by the Richards Bay aluminium smelting company, Alusaf.

Mr D E J van Vuuren, managing director of Alusaf, said that a contract would soon be signed between Alusaf and Nippon Light Metal of Japan for an 87,000-tons-a-year smelter.

The smelter would double the capacity of Alusaf’s Richards Bay plant, providing new jobs for 500 whites and 750 blacks.

Alusaf is reported to have saved large sums by buying an existing “mothballed” smelter at present standing at Niigata, Japan.

The plant will begin producing additional metal during the first half of 1982.
Alusaf to buy
Japanese smelter

By ADAM PAYNE

JOHANNESBURG - Alusaf, the Richards Bay aluminium smelter in which IDC and Alusuisse hold big interests, is

embarking on a mooted R335-

million expansion programme.

The purchase of the smelter

will enable Alusaf to double produc-

tion.

Alusaf is in the final stages of buying from Nippon Light Metals an 87,000 tons-a-year smelter. It is one of many smelters closed in Japan because of high energy costs there.

Nippon says that the price is not settled but it hopes for between $44-million and $66-

million.

Provided the deal is formally closed by the end of August and there appear to be no signs of nationalisation the shipment of the smelter, which will be a costly operation, will begin at the end of the year.

Mr D E J van Vuuren, managing director of Alusaf, has been in Japan talking to Nippon.

His deputy, Mr Johannes Diemont, says that the local market for primary aluminium is so firm that Alusaf has either postponed a number of contracts or repurchased aluminium from contractors, or negotiated cancellation of export contracts.

First priority is given to local orders with the local price R1 450 a ton.

Mr Diemont told me that only 13,000 tons of primary aluminium had been exported this year and he foresaw no exports in 1981.

“We shall have to build up stocks,” he said.

The present capacity of Alusaf is 84,000 tons a year and that of the plant to be imported is marginally higher.

Japan is in trouble in primary metal manufacture because its energy costs are among the highest in the western world and because atmospheric pollution measures have put a damper on some of its older aluminium smelters.

Because of its difficulties, a number of smelters — some of them outdated — have been closed. The smelter to be bought by Alusaf, however, is comparatively modern with anti-pollution measures built in.

More smelters will be closed in Japan and that country will be in the market for considerable tonnages of primary aluminium, some of which could be supplied by Alusaf.

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million tons and 2-million tons a year of primary aluminium by 1986.

Because of this big prospective market and because of increasing internal demand, Alcan in Australia is beginning detailed engineering studies and final economic evaluation of a proposed 266,000 tons a year aluminium smelter to be sited at Gladstone, in Queensland.

A senior executive in the aluminium industry told me: “The installation of the Japanese smelter at Richards Bay, to double production will provide primary aluminium far beyond the needs of the local market for the next few years. It will start producing in mid-1982.”

“Therefore, exports will be needed. But at the same time we shall promote aluminium strongly locally because consumption here is among the lowest in developing countries at 3 kg per capita, compared with 21 kg per capita in the US, 14 kg in Western Germany and 11 kg in the UK.”

“We lag behind in transportation where aluminium is used overseas on a great scale in road and rail tankers because of energy savings, not only when the tankers are filled, but also on their return journeys.”

“With aluminium road and rail trucks the transporter achieves a high payload and energy saving. Trains are also built in aluminium for the same reason.”

“There are big markets to be exploited in defence and building.”

“Aluminium is only at the beginning of its marketing in South Africa. The doubling of capacity at Alusaf makes a lot of sense for the long-term.”
Engineering will face slow-down in export rates

Export growth in the steel and engineering industries is expected to slow down in the second half of this year, though production and sales will be strengthened by increasing domestic demand.

Foreign exchange earnings are not expected to match last year's level, the Steel and Engineering Industries Federation says in its latest monthly report.

Softening world demand, developing protectionist attitudes in the US and Europe and the strengthening of the rand against the US dollar all are leaving an impact on foreign exchange earnings, Sefsa says.

The largely export-oriented ferro-alloy industry has already had to cut back production due to softening world demand.

ORDERS

Nevertheless, expectations are that overall output from South Africa's steel mills - boosted by domestic demand - will top the 1979 level of 8.9m tons, which show a 12.3 percent improvement on 1978's figure.

However, the engineering sector, benefiting primarily from the increasing consumption of goods and services in the mining sector, reports a stronger flow of orders and higher output in June.

Heavy engineering also benefits from the expansion of mining activities.

Due to the improved pace in manufacturing, the mining sector and energy-generating, some sectors report that they are now investing in new plant and equipment to keep up production with rising demand.

Shortage of skilled and semi-skilled labour worries many of Sefsa's members. Especially production performance and delivery periods are affected, but supply of materials is still satisfactory measured against current order intake.

By Pieter de Vos
ISCOR (139)          FM 22       8.50

Working for the right mix

ISCOR is planning to reduce its annual steel exports permanently to 10% (500,000 t) of total output in keeping with its policy of giving priority to local requirements. Fortunately, for the state-owned steelworks, this strategy coincides with recessionary overseas markets and growing local demand.

For the past few years, ISCOR — operating at full production capacity on the metallurgical (raw steel) side — has successfully exported production excess once local demand has been met.

Sales abroad absorbed a 'mammoth' 37% of total production in 1976-79 and 32% in 1979-80. During the current financial year, exports are expected to drop to 27%, but this is 'still substantially more than we'd like because we make more profit on domestic sales,' says Nols Olivier, divisional GM for steel marketing.

US recession

ISCOR's net financial return on steel exports in terms of rand has dropped substantially — by more than R30/t over the past year — as a result of the US-led recession and the firming of the rand against the dollar. The corporation's current local average selling price is approximately R400/t, while the combined local and export price averages R340/t.

ISCOR projects that it will achieve the lower export target by 1983 — without sacrificing its full production capacity of over 5 Mt a year. An 8.5% growth in the local market is estimated for 1980-81, following a 25% growth in the previous financial year.

'Local requirements are our priority. A 90% local/10% export mix is the most economic and financially feasible proposition in the long term,' says Olivier.

The aim, he says, is to maintain a firm, continuous foothold in certain overseas markets — such as Israel and the Far East — as a matter of sound marketing policy and a secondary outlet to safeguard against periods when local demand drops. This will mean retaining links with only about 10 of the 60 export markets in which the corporation is now active.

Although net return on steel exports is 'less attractive' than return on local sales, exports are still a worthwhile proposition in terms of foreign exchange earnings and net income to the corporation.

The 1.756 Mt exported in 1979-80 earned SA R440m in foreign currency and contributed R144m to ISCOR's fixed costs and profit. This tonnage represented a 3% drop compared with 1978-79, but revenue increased by R37.5m over the same period because of improved prices on overseas markets.

This position will clearly not be maintained in 1980-81. 'We are confronted with a gloomy export picture right now,' says Olivier. 'Because of the overseas recession our forecast for prices on the export market is very pessimistic this year. In addition, the continued strengthening of the rand has a severe effect on net returns. The US steel mills, particularly, have played a significant role in lowering world steel prices, he says.

'Their own recessionary conditions have forced some of these mills to discontinue tonnages on to the traditional export markets at much lower than going market prices. Coupled with the world recessionary trend, this has had a severe upsetting effect on prices.'

ISCOR is hopeful that the trigger price mechanism — suspended in the first quarter of 1980 — will be reinstated in a revised form in the fourth quarter at much higher dollar prices, giving the US mills leeway to increase their prices locally and reduce their exports. Olivier predicts that the depressed steel market overseas will 'generally improve' by mid-1981.

ISCOR's total sales for 1980-81 are expected to reach 5.5 Mt — a modest 1.2% more than the previous financial year (5.5 Mt). The main reason for this small growth prediction is that two of ISCOR's major blast furnaces at Vanderbijlpark and Newcastle will be out of action for about three months, for extensive planned repair operations.

SA demand for steel is currently strong in all sectors, says Olivier, and ISCOR's local sales should increase by 8.5% to 4.075 Mt in 1980-81. Exports will drop by 15% to 1.492 Mt, with export earnings falling by R280m this year to about R370m.

ISCOR's calculation, in the face of dismal export returns, is that it will still be very much to the corporation's advantage to export the volumes quoted for 1980-81 even at lower returns. 
Looking to the future

SA's low productivity growth rate — less than 1% a year from 1972 to 1978 — makes it essential for industrialists to start finding long-term solutions.

The country lags noticeably behind its main trading partners, which record the following productivity growth rates for the corresponding period: United Kingdom (1.5%), West Germany (2.3%), Japan (3%) and Taiwan (5%).

One of the reasons for SA's comparatively poor performance, experts contend, is a shortage of trained industrial engineers and industrial engineering technicians. A 1979 National Productivity Institute (NPI) survey revealed an estimated need for 3,000 industrial engineers (only 500 were employed) and 12,000 industrial engineering technicians (only 1,600 were employed).

But although the need is apparently there, the demand is not. SA employers have been slow to recognize the necessity of higher productivity and the value of the industrial engineer/technician in achieving this end. In the past, factors such as the availability of cheap labour and raw materials prompted a degree of complacency.

A newly launched campaign — designed to promote the effective use of industrial engineers/technicians as a means of improving productivity and profitability — could play an important role in correcting this lack of awareness. The estimated R30,000-a-year promotion, an offshoot of a SA Institute for Production Engineering/CSIIR seminar in February last year, already has the backing of major concerns such as Iscor, AECI and the Anglo American Corporation. Aims are to:

- Create an awareness among potential students of the scope and benefit of industrial engineering as a career, and
- Create more training opportunities by encouraging industry to make a long term investment in itself by offering bursaries to industrial engineering students at universities and technikons.

Iscon, pioneer in industrial engineering training, Iscor initiatives in this field in the awareness programme in the hope of encouraging other sectors of industry to accept greater responsibility towards training Iscor inates in this field include the establishment of an industrial engineering degree course in collaboration with the University of Pretoria in 1968 and a diploma course in industrial engineering at the technikons in 1978.

The main issue at stake is the necessity for the country to improve productivity,” says Iscor GM, Floors Kotzee. “We do more than most others regarding training of industrial engineers. We hope this campaign will inspire other industrialists to initiate their own training — for their own benefit and the benefit of the country.

Another reason for participation in the campaign is Iscor's own need for more trained industrial engineers. The corporation currently employs 37 but needs four times that number to achieve optimal

Iscor's commitment to productivity over the years has paid dividends, he adds. During the 1976-77 and 1977-78 financial years productivity showed an improvement of 5% a year. Productivity improvement during the 1978-79 financial year was 4% over the previous year.

Iscor uses industrial engineers both in a staff advisory capacity and in its operating and service divisions. Kotzee says.

They play a major catalytic role purely because of their training and awareness of factors associated with industrial economics and productivity. All our projects are motivated on the basis of business economics and industrial engineers are our main advisers.

Kotzee believes the growing necessity for SA to increase her exports places greater emphasis on low production costs which means looking more closely at productivity. Industrialists have to decide for themselves, where they stand and to what extent they want to allocate resources to improving the sheen of the cake towards engineering and industrial engineering in particular. This awareness programme will help them to make that decision, he says.

A subcommittee representing the NPI, AECI, Iscor Anglo American and the Manpower Commission is organizing the campaign which will include TV documentaries, radio broadcasts and a career brochure on industrial engineering. A permanent secretariat may be established to maintain the promotion and its sponsor as well as to coordinate the efforts of associations in industrial engineering-related topics.
Company’s education programme

AN Adult Education Programme designed to improve the academic qualifications of black employees is being introduced by Barlow’s Tractor Division in Johannesburg.

Sixty adult students are enrolled in the initial course, starting on Monday, August 25, which is aimed specifically at Standard 8 and Matric levels.

Studying a maximum of three subjects each year, all students will sit for public examinations, the first of which will be in May/June 1981.

Mr J O K (Oupa) Tsetotetsi, a senior educationist and former Soweto school headmaster, has been appointed principal and co-ordinator of the programme.

Mr Tsetotetsi has been involved in adult education since its introduction in Soweto and formerly held the post of principal at the Orlando Adult Education Centre.

He is optimistic about the programme and said that Barlow’s ‘in-house’ education for employees was a ‘pace-setting concept’.

SUCCESS

“The chances of success are very high because the level of motivation among adult students is so intense,” said Mr Tsetotetsi. He will be assisted by one full-time and two part-time teachers.

Announcing the inception of the programme, Mr N L Holford, managing director of Barlow’s Tractor Division, said that the students had been selected on the basis of their ability to spend time studying away from the job.

Employees from three companies, Barlow’s Tractor and Mauchinery Co (Isando), Barlow Noordelik Maquinérie Maatskappy Beperk (Pretoria) and Barlow’s Tractor Division (head office, Bramfontein), will participate initially.

The programme may be expanded later to include Tractor Division companies in the Cape and Natal, making it a country-wide project.

Mr Oupa Tsetotetsi — principal and co-ordinator of the new Adult Education programme being introduced by Barlow’s Tractor Division in Johannesburg for its employees.
Symposium for steelworkers.

KEITH Ritchie, vice-president of the Canadian Institute of Steel Construction, is the main speaker at a symposium on “The Viability of Steel-Framed Buildings” at the Carlton Hotel on Thursday.

The symposium, organised by the South African Institute of Steel Construction and the South African Property Owners’ Association, will examine use of steel in offices and residences. Symposium chairman Don Goodey reckons the addresses and discussions will be of interest to investors, developers, industrialists, architects, engineers and quantity surveyors.

The symposium starts at 11am and lasts all day.
Bus driver shortage: apartheid ditched

EAST LONDON — The City Council has approved the appointment of bus drivers-conductors from all race groups to overcome the shortage of suitable white drivers.

The Action Committee authorised the employment of men from all groups earlier this month, as a matter of urgency, with Cllr C. S. A. Lutshikwa dissenting.

In another issue affecting municipal staff, the council agreed to increase the pay of apprentice motor mechanics, panel beaters and spray painters and plumbers to between R49.45 weekly (first year) and R123.64 (fourth year).

The increases follow a directive from the secretary of the Apprenticeship Committee, Department of Manpower Utilisation in connection with apprentices in the metal industry.

The total cost for the remainder of the year will be R4.260. — DDR
Unregistered unions get legal boost

By STEVEN FRIEDMAN
Labour Reporter

THE Industrial Court yesterday ruled that all trade unions, whether or not they are registered, can bring matters before the court on behalf of their members.

The ruling, which came in response to a legal argument in the court's first major test case, is seen as a significant breakthrough for the black trade union movement.

In another crucial ruling the court agreed to hear evidence on allegations that an employer who had refused to renew the contract of a migrant worker had been guilty of an "unfair labour practice" even though he was within his legal rights not to renew the contract.

The union also welcomed the court's ruling that the union had locus standi to represent its members before the Industrial Court and described this as "a highly significant breakthrough."

Legal sources last night described the judgment as "_typing" and added that the court had "shown a flexibility and a willingness to cast aside formalism."

On the question of the union's standing in court, the judgment found there was no obligation under industrial law for a trade union to seek Government registration. It also found that a union can exist for the purposes of industrial legislation without being registered.

In addition, in a more significant finding, it also found that trade unions have the right to represent their members in the court.

An earlier Supreme Court judgment in the "Bohman case" had held that trade unions have no standing to bring legal actions on behalf of their members. Legal sources warned at the time that the court's decision would make it difficult for black workers who wished to protect their rights individually.
Boilermakers granted all-race union status

By Drew Forrest

The 3,500 strong SA Boilermakers Union (SABI) has been granted full multi-racial status and is already organizing black workers throughout the engineering industry.

This was disclosed today by Mr. Okkie Garthoven, SABI assistant general secretary. The union's amended constitution was approved by the registrar of unions a month ago, he said, unlike those of other white-dominated TUCSA affiliates in the engineering industry, which had failed to secure a fully integrated executive committee and mixed branches.

Two black organizers were already at work in Durban, East London and in the Transvaal, he added. There were close to 1,500 black members on SABI's books, and the union's first black branch would shortly be operating in Durban.

The decision to adopt a fully open constitution rather than applying for mixed status with segregated branches and an all-white executive had been taken after consultation with the black unions in the industry. They were "hostile" to the idea of parallel unions, which could not guarantee black participation on industrial councils.
R22-million contract
will create 5000
jobs for Soweto

A R22-million contract that will create up to 5000 jobs in Soweto in the next 30 months and prepare the area for full electrification by 1983 was signed in Johannesburg today by several of South Africa's largest electrical firms.

The contract is for the on-site installation of cables, streetlighting and the equipment needed for the full electrification of Soweto. Work has already begun in Soweto on a pilot reticulation scheme to work out the systems to be followed on this huge project.

The Industrial Electrical Company (IEC), a subsidiary of the massive LTA Group, is to carry out the installation on the instruction of Texcon (a consortium of GEC South Africa and Siemens) which was appointed in May to handle the electrification by the Soweto, Diepsloot and Dobsonville councils.

This contract will make available an additional 3000 to 5000 jobs for Soweto residents during the next 30 months, according to a spokesman for the contractors.

Half of these new jobs will provide career training in electrical trades and will mean ongoing work in the maintenance and expansion of electricity in the high density housing areas along the Reef.

As the electrification of Soweto continues more work will be created. IEC has also been awarded the contract for the wiring of 8103 houses in Soweto - the first of the estimated 80,000 in the area needing wiring.

A special recruiting office is to be opened very soon at New Canada administration offices on the edge of Soweto to help those looking for a career in electrical contracting.

The electrification programme is expected to reach full swing by next March and then job opportunities will be announced daily at the New Canada offices, according to the spokesman.

Staff at the recruiting office will make detailed records of all job seekers and the whole administrative machinery of Soweto will be geared to drafting these seeking work to the IEC offices at New Canada.

"People with all standards of education and experience will be needed on the job and the skills learnt will be needed for the maintenance and expansion of electricity in Greater Soweto," Mr Tony Grabe, managing director of IEC said today.

Page 29: Soweto's giant power plan gets moving at last.
EAST LONDON — Iron and steel workers were given a talk here by the president of the Boiler-makers Trade Union, Mr. M. Peterson, of Johannesburg.

He spoke of the advantages of belonging to his union.

In the case of labourers losing their jobs, Mr. Peterson said they would receive a minimum amount of R2.50 a day.

In case of death of members who had been registered with the union for at least six months, their families would be compensated R1 900, if they had been members for a year, R1 150 was payable.

If a wife or husband of a member died, the member received R300.

Mr. Peterson said his union was recognised by the government and could negotiate with management as it was registered.

The committee of the union could also attend meetings held on company premises between employers and employees and witness any negotiations.

The union worked hand-in-hand with liaison committees and mostly used them as channels of communication.

In case of members losing jobs, the union aids members to seek work and to check they get a secure job with comparative wages and good working conditions.

Mr. Themba Bottoma, chairman of the iron and steel workers' liaison committee, thanked Mr. Peterson but asked him to give them time to consider the matter.
DAVID Lewis, of Holiday Inns and Wit Industrials fame, has bought a controlling interest in Esab Welding Products, a company which supplies and services a wide range of welding equipment and electrodes.

The equipment is manufactured by Esab of Sweden, a world leader in advanced welding equipment and technology.

Mr Lewis tells Business Times that the Benoni-based Esab Welding Products has not operated profitably in the past, principally because the Swedes were unable to adapt their marketing strategy to South African conditions. In addition, supplies back-up left much to be desired.

He believes that both these drawbacks can be effectively overcome, and the new Esab combination of Swedish technological know-how and South African expertise in the market place will go a long way towards ensuring the future profitability of his new acquisition.

"It is a formula which turned around the Electrolux operation which I bought three years ago," he adds. Electrolux has gained 15% more market share under its South African ownership.

Mr Lewis has tackled the spares back-up void by airfreighting R136 000 worth of spares to South Africa. He has also placed an order in Sweden for more than R300 000 worth of welding machines.

He expects Esab to gain a minimum 25% market share in the next three years.

Esab will be demonstrating the latest in welding — the Robot Welder — at next month's Electra Mining Exhibition. The Robot, developed in co-operation with Asea, highlights Esab's advanced technology worldwide. The machine will sell for between R120 000 and R150 000.

Esab SA has just been awarded a R200 000 welding machine contract by the SAR, while Esab Sweden recently secured a R28-million contract to erect and commission a complete plant to cater for the construction of a nuclear power plant in the USSR.
MANUF: Iron & Steel
1-9-80 - 31-12-80

1 Hansard
6/6/80

Arms Development + Production
Amendment Bill (End Reading)

See Hansard 16 cols 8305 - 8335
Hansard 17 cols 8307 - 8316
Senate Hansard 10 (
Amendments Development + Production
Amendments Bill
Sie S. Harcourt 10 (Ext 2101 - )
People who live in the vicinity of foundries experience a higher rate of construction and demolition works and integration of asbestos pipes in the environment. Those living in close proximity to foundries also have increased incidence of respiratory illnesses. There is a large number of workers and residents, such as dolphins, that are at risk of exposure. The use of asbestos is banned in some countries.

In the UK, elevated levels of asbestos have been documented in various locations. The government has implemented strict regulations to reduce the exposure to asbestos. The impact of asbestos on health and safety is significant. It is essential to control the exposure to asbestos to prevent health risks.
Hleveland Steel (L$t$) to boost output

By Geoff Shuttleworth

Hleveland Steel chairman Mr Graham Boothroyd said at the annual meeting that it was expected that increased production and the improved band-steel sales should offset the adverse effect of export earnings. It is forecast that group profits will at least be maintained.

Production will be increased mainly by the commissioning of the ninth production line which will lead to a significant increase in iron, steel and vanadium slag while the strong local economy should continue throughout the next 12 months with increased sales of steel.

He noted however, that the recession in export markets, coupled with a continuous strengthening of the Rand against the dollar will adversely affect export sales income from steel, vanadium and ferro-alloys.

Commenting on expansion, he said Ribron had been approved for a 10th production line, Ribron for a 400 ton oxygen plant and 380m for a fourth shaking ladle emplacement.

Plans are being prepared for the first furnace in the second iron plant which will take steel castings through the one million ton level. The existing steel plant and mills will be able to handle this increased output.

Studies on a Steelhead hot strip mill are under way for commissioning at the same time as the number two furnace in the second iron plant and Transalloys has approved Ribron for an arc furnace to produce ferro-alloys.
AVIATION kerosene made from coal or oil shale is the crude oil alternative of the future according to Boeing Aircraft Company. But in South Africa, it is the not-very-distant future, say Sasol 2.

According to Boeing's engineering vice-president, Mr Bob Withington, in a booklet on the subject being widely distributed at the Farnborough Air Show, four to six percent of fuel used worldwide could be synthetic. Research by the aircraft manufacturer's research department shows synthetic fuels made from coal and oil shale are the only practical alternatives in terms of availability, cost and efficient use of energy resources.

INTEGRATION

"They can be integrated into existing production and distribution systems and are compatible with contemporary airplanes."

Mr Withington added, "The airplane can't tell the difference between synthetic fuel and petroleum fuel."

Mr Clarence Keyter, public-relations officer at Sasol, said Secunda, already producing bitumen and petrol, would also produce aviation kerosene before 1982.

This would be available at all aircraft refuelling in South Africa.
R150m work on Barlow steel plant under way

Expansion totalling R150m is in progress at Barlow Rand's Southern Cross steel plant and will be completed within the next 18 months.

Southern Cross Steel, a division of Middelburg Steel and Alloys, is entering a new phase of development which will push capital investment in its plant from an anticipated figure of R115m to R150m over the next two years.

Middelburg Steel is a wholly owned subsidiary of Barlow Rand. Mr. John Hall, managing director of Southern Cross, said this morning that the investment would increase melting capacity, which would boost production of semi-finished stainless steel products to 200,000 tons a year. The new plant will also produce thin-gauge cold rolled steel, which is currently imported.

Local production of thin gauge steel should save South Africa up to R15m in foreign exchange a year at 1970 prices, Mr. Hall said.

The new plant should be completed by February next year, the hot mill by April and the cold mill by August or September next year.

The first cold rolled stainless steel sheet and coil is expected off the line at the end of 1981.

Mr. Hall announced that a new low-cost, corrosion resistant steel called SCRR13 had also been developed by the company and would soon go into production.

The first phase of the programme, involving an investment of R127m, was designed to cope with local consumption of stainless steel. This is expected to be about 70,000 tons annually by 1980.

EXPORT POTENTIAL

But a second phase has been introduced in which Southern Cross hopes to take advantage of the export potential it believes its semi-finished products may enjoy.

"We now have two years in hand to market our finished products, which are already being exported to some overseas stainless steel producers," Mr. Hall said.

The decision to increase the expansion was motivated by:

- Increased favourable conditions on the world capital equipment market.
- The attractiveness of stainless steel against carbon steel in energy saving terms, particularly in view of the high energy prices in the current world economic situation.
- One of the advantages held by Southern Cross was increased access - through its membership of the Barlow Rand Group - to raw materials necessary to allow it to expand. Middelburg Steel too embarked on a comprehensive development programme.

Mr. John C. Hall, managing director of Southern Cross Steel, on the site of the R150m Middelburg mill expansion.
Highveld achieves outstanding results with earnings and dividends increasing for eighth consecutive year

- MR W G BOUSTRED

An abridgment of the review for the year ended June 30 1980 by the Chairman, Mr Boustred

The corporation's consolidated profit of R70 105 000 before providing for tax and minority interests was 62 per cent higher than the R43 355 000 earned last year. After providing R24 328 000 for tax and after deducting minority interests of R9 879 000 the attributable profit at R43 896 000 was 61 per cent higher than the 1979 result of R27 297 000. The attributable profit for the year was achieved after providing net interest charges of R2 434 000 and depreciation of R17 060 000 compared with R6 104 000 and R16 337 000 respectively last year.

In view of these results the board decided to increase the final dividend to 20 cents a share making a total of 29 cents a share, a 45 per cent increase on the 20 cents paid last year. The total dividend for the year will absorb R19 700 000. All three operations, Highveld, Rand Carboide and Transalloys achieved record profits for the year.

As reported in the interim statement, the board decided to change to the LIFO (last in, first out) method of stock valuation in order to recognise the effects of the high rate of inflation by matching more closely current costs with current revenues. The change to LIFO reduced the group profit after tax by R1 083 000 and the dividends payable by the group will not be materially affected by the introduction of LIFO.

A total of R24 328 000 has been provided for tax and for the first time the group becomes liable for normal tax payable in 1981 and estimated at R9 719 000. In addition R14 613 000 has been transferred to the group's deferred tax provision which now totals R68 133 000 and this should ensure that the charge for tax in later years does not absorb a disproportionate amount of the income earned in those years.

The strength of the group's cash flow is again illustrated by the reduction in the group's net borrowing position from R29 596 000 as at June 30 1979 to R34 014 000 at June 30 1980 resulting in a reduction in capital expenditure for the year of R9 335 000. The group has continued to use local and overseas short-term financing in preference to longer term loans which makes for greater financial flexibility and a lower interest rate. As a result of this policy and the reduction in the group's borrowings, interest charges were significantly lower at R2 434 000 compared with R6 104 000 in 1979.

By the year end the group's capital expenditure commitment had increased to R25 592 000 compared with R23 592 000 in 1979.

The markets for all the group's products improved steadily during the early part of the year but by the financial year end a deterioration in overseas markets necessitated production cutbacks at Transalloys and the Vanite division. The strengthening of the rand against the US dollar coupled with the increased forward cover rates for dollars has adversely affected the competitiveness of the group's products in overseas markets. The adverse effect of the stronger rand on the group's export earnings is well illustrated by the reduction in rand value from R150 372 000 in 1979 to R142 799 000 this year, despite dollar earnings being only slightly down at US $172 422 000 compared with US $173 748 000 in 1979. Group turnover of R323 384 000 was 20 per cent higher than last year's record.

Steel export dollar prices showed only a modest improvement during 1979 compared with the substantial increases of 1978. Further slight improvements have been enjoyed in the early part of 1980, but the downturn in steel consumption in the USA and the other industrialised countries coupled with the decision to suspend the US steel price mechanism has already resulted in lower export dollar prices.

Highveld continued to export steel products in the form of sections and plate to many countries, but due to the improvement in the domestic market the tonnage was below last year's record level and represented 29 per cent of total steel sales against 43 per cent in the 1979 financial year. In 1979 South African steel exports reached two million tons for the first time and earnings from this source exceeded R900 million, a major contribution to the Republic's foreign exchange earnings.

South African apparent steel consumption during 1979 showed a 16.5 per cent increase over 1978 and double digit growth is also likely in 1980. Highveld's sales into the local market for the financial year showed an encouraging 31 per cent increase over 1979 which indicates a significant improvement in the heavy and intermediate industrial sectors.

Highveld's steel production continued to grow and at 787 062 tons was 5 per cent above last year's record. Both rolling mills operated well and the total rolled product exceeded last year's record by 10 per cent, reflecting a continuing reduction in the sales of steel sections.

VANADIUM The record level of world steel production in 1979 was accompanied by a record consumption of vanadium. The continuing energy crisis resulted in increased activity in line pipe steel production in...
Japan, Western Europe, North America and the USSR. In Europe and Japan, vanadium-bearing tool steel production continued to increase and the replacement programme in the West is well advanced. Steel producers increased their demand for vanadium because of the shortage and resultant higher prices of molybdenum. Although the price of molybdenum also increased considerably, it was not able to cope with the record demand without distortion of the market.

### Free world vanadium pentoxide capacities

<table>
<thead>
<tr>
<th>Country</th>
<th>Present capacity</th>
<th>Planned capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>56</td>
<td>62</td>
</tr>
<tr>
<td>North America</td>
<td>36</td>
<td>50</td>
</tr>
<tr>
<td>Europe</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Others</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>92</td>
<td>136</td>
</tr>
</tbody>
</table>

**Forecast production 1980 ± 10%**

Vanadium consumption in 1980 has welled up with the reduction in steel production in the Western world and the improvement in molybdenum supplies. The demand taken by most steelmakers to reduce inventories during a period of lower consumption has accelerated the fall off in demand for vanadium raw material.

New production facilities in the USA and Australia are currently being commissioned and, other expansion plans announced will ensure that the world vanadium industry has ample reserve capacity to meet even the most optimistic demand forecasts.

The current capacity of the world's vanadium-bearing slag smelting capacity in the period soles. The vanadium division's vanadium pentoxide plant was already included in the steady state of the year and as a result the demand was brought to full scale operation in Sept. 1979 and the commissioning of the three silds, which had been out of operation since December 1976. However, demand has again weakened by the year end and as a result the three silds were taken out of operation in June 1980, when the smelters would shut down in July 1980 and further production cutbacks would be made if warranted by market conditions.

**RAND CARBIDE Export demand for the Rand Carclude division's ferrovanadium remained firm throughout the period and prices were satisfied. The cost of power overseas, particularly in Japan and Western Europe, has risen so dramatically in the last few years as a result of the oil price increases, that the production of power intensive ferro-alloys such as silicon has become uneconomic in these countries. Provided that power costs in South Africa remain at the present competitive levels, the Republic will become a major exporter of these power intensive alloys.

Sales of metallurgical grade vanadium electrode paste and ferro-alloy industry in the period was as a result of the high level of activity in the ferro-alloy sector. Calcium carbide operations also ran at capacity. The division's financial performance was excellent, contributing 17 percent to the group's earnings for the year compared to 11 percent last year.

**TRANSALLOYS** The early part of the financial year the demand for molybdenum ferro-alloys was satisfactory and the sale prices were experienced. By the end of the year, however, the demand had weakened and the quarter of the fiscal year it was necessary to cut back production in April 1980 when the price fell to the general level of inflation. It is expected that power costs will continue to rise only modestly in the next few years, which will greatly help the South African steel and ferro alloy industries remain competitive in world markets where tariff barriers remain a major demand for vanadium.

For the first time since 1978, the South African Railways operated on a level of production.

In 1980, the overall effective increase of 6.8 percent, 6.8 percent per cent, a higher than the 5.9 percent in 1979, but below the general level of inflation. It is expected that power costs will continue to rise only modestly in the next few years, which will greatly help the South African steel and ferro alloy industries remain competitive in world markets where tariff barriers remain a major demand for vanadium.

Inflation, base metal and mineral exporters selling in US dollar prices will find business increasingly difficult over the months ahead. While there is evidence that the Government is proceeding with the programme for export incentives recommended by the Van Houten and Boudouin committees, the rate of progress must be accelerated and the scope of the qualifications for benefits from the new categories of incentive must be broadened if a significant impact is to be made. It is important that the iron and steel and ferro alloy industries which have been major contributors to the growth in export earnings should be encouraged to maintain their position in world markets.

**LABOUR** As the South African economy has improved, the shortage of skilled labour has again become a major problem. Although overseas recruiting eases the situation the long term solution to the shortage of skilled labour lies in the training of black artisans. In spite of the government's acceptance of the Wethers Congress recommendation that blacks be indentured as apprentices, a disappointing number of black apprentices have been registered to date. A major obstacle has been the uncertainty regarding the availability of educational facilities for the traditional training of blacks. While the Wethers Congress's second report covering training grants some way to resolving this problem by recommending the utilisation of any existing facilities where separate theoretical training facilities are not available, the commission should have come out in support of the continuation of such training. The trainees should have come out in support of the continuation of such training.

In July, an agreement was reached for further black advancement into the higher skilled operator job grades.

**EXPANSION** The board approved R10 000 000 for the installation of the new kevlar plant and R15 000 000 for the first phase of the karabo plant. The kevlar plant will be commissioned before the end of 1981 and the oxygen plant in 1982. The kevlar plant will take steel capacity through the one million ton level. The existing steel plant and mills, with minor modifications, will be able to handle the extra steel output. Studies are already underway on a Steelcore hot strip mill development which would probably commission at the same time as furnace no. 2 in the ferro-alloy plant.

The Transvaal board approved R10 000 000 for the erection of a 22 MVA substation arc furnace to produce ferrovanadium, which will be commissioned before the end of 1981.

**ENVIRONMENTAL CONTROL** The group's R45 000 000 environmental control programme continued and will be completed by the end of 1981.

The new Rand Carbride ferrovanadium plant was commissioned in June 1980 and modifications to the second bag filter at Transvaal was completed in November 1980. The group's ferro-alloy operations will thus conform to the most up to date environmental control standards by the end of 1981.

The final stage of the electronic control for the third basic oxygen furnace was commissioned in January 1980 and modifications to the original two were completed in June 1980. The commissioning of the three wet scrubbers to handle fume from the shaling ladle emplacements began in July 1980 so that steel plant emissions should be fully controlled by the end of 1980.

The erection of the electrostatic precipitator for the original four pre-reduction kilns has started and these should be commissioned before the end of 1981, thus completing the iron plant programme.

**OUTLOOK** The nine pre-reduction kiln commissioned on schedule in July 1980 and this will lead to a significant increase in iron, steel and vanadium slag production in the new financial year. The current strong recovery in the South African economy should continue throughout the next twelve months with increased steel sales in the domestic market. The recession in overseas markets coupled with a continuing strengthening of the rand against the dollar will adversely affect the group's export income from steel, vanadium and ferro-alloys, but it is expected that the increased production from the ninth Idno and the improved local steel sales should offset the adverse effect of export earnings and it is forecast that the group's profitability will at least be maintained.

**GENERAL** Highveld has achieved outstanding results for the period under review with earnings per share and dividends increasing for the eighth consecutive year. This reflects great credit on the management's overall performance.
Southern Cross to spend R150m

SOUTHERN Cross Steel, a division of Middleburg Steel & Alloys, in turn part of the Barlow Rand group, will enter a new phase of expansion which will push capital investment at its Middleburg plant from the expected figure of R127-million to R150-million over the next two years.

Mr John Hall, managing director of Southern Cross, said in Johannesburg yesterday that a new low-cost corrosion-resisting steel called 3Cr12 had been developed by the company and it would soon go into production.

Mr Hall said the additional investment would increase melting capacity, which in turn would boost production of semi-finished stainless-steel products to 500 000 tons a year. The new plant would also produce thinner gauge cold rolled steel, which was now imported.

Production of the gauge cold rolled steel should save South Africa up to R28-million a year by 1981 prices.

Mr Hall also outlined Southern Cross Steel's construction timetable, forecasting that the new melt shop should be completed in February 1981, the hot mill by April and the cold mill by August or September of the same year.

The first cold rolled stainless-steel sheet and coil was expected off the production line at the end of 1981.

The new investment would balance the melt shop capacity with the rest of the plant — the hot mill and cold mill — and position Southern Cross to tap the export market more easily.

"We now have two years in hand too market semi-finished products, which are already being viewed favourably by some overseas stainless-steel producers," Mr Hall said.

The decision to expand further was caused mainly by:

- Increasingly favourable conditions on the world capital equipment market
- The attractiveness of stainless steel against carbon steel in energy-saving terms, particularly because of high energy prices in the world economic downturn
- The belief that a low-cost, corrosion-resisting, energy-conserving steel such as 3Cr12 had a tremendous role to play in world industry — Sapa
First black metal-industry union obtains registration

By Sue Hannig
Labour Editor

The 2,000-strong Electrical and Allied Workers' Union has become the first black union in the metal industry to obtain registration.

This was revealed by Mr. Ben Nicholson, general secretary of the union.

He said an application to have the union admitted to the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industry would be submitted as soon as the registration certificate had been received.

He hoped for a "big influx of membership" now that the union had been registered. In addition, "quite a number" of employers had promised cooperation once the union was registered.

Mr. Nicholson said a meeting of the executive of all three electrical unions would be held soon to elect officials representing them on a "Federation of Electrical Workers' Unions," with more than 30,000 workers.

He is general secretary of all three electrical unions.
Black unions in council breakthrough

TWO recently registered black unions have gained admission to the industrial council for the engineering industry.

Mr Archie Poole, general secretary of the National Union of Engineering, Industrial and Allied Workers (NUEIAW), and Mr Ben Nicholson, of the Electrical and Allied Workers' Union of South Africa (EAWU), said it was the first time black unions had gained direct representation on an industrial council.

The unions were admitted to the Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries in Johannesburg yesterday.

"At the next round of negotiations for wage increases, they will participate on an equal basis to all other unions on the council," Mr Poole said.

The NUEIAW has a paid up membership of 1,900 and the EAWU about 2,000.
Milestone in Labour Reform

A labour reform on the scale of the Trade Union Act 1956 was not imminent when South Africa took its tortuous path towards independence from British control in 1910. It was not until the first half of the 1970s that the country embarked on a process of industrial务ivation with a union. The maintenance of some organisation of workers was admitted, but the recognition of these as "the" unions was not guaranteed. The process of formalising the relationship between the state and organized labour involved a complex negotiation of power.
Judge dismisses defamation claim

DURBAN — A Durban judge yesterday dismissed a claim for R6 000 against a Pinetown subsidiary of a UK company and its managing director, in damages for allegedly damaging an unregistered trade union.

The action against Clarence Hibbens and the managing director, Mr William Richards, was brought by the Metal and Allied Workers' Union of South Africa, and its general secretary, Miss June Rose Nala.

The action arose out of a comment by Mr Richards to a reporter from the Financial Mail regarding the controversy of whether the union or Miss Nala were representatives of the employees.

Mr Richards was alleged to have stated that "some people tell us that they are forced to sign pieces of paper or get beaten."

The union alleged that the statement, which was published on July 28, 1978, in an issue of the Financial Mail, was defamatory in that it meant, and was understood to mean, that the union and Miss Nala used threats.

Mr Justice J M Strudwick found that the article had identified no one as being responsible for intimidating workers to join the union.

The claim was dismissed with costs — Sapa
Workers' victory

By Sieg Hannig
Labour Editor

A new breakthrough for workers' rights has been achieved by the Industrial Court in its first hearing of an alleged "unfair labour practice."

"The case has shown that the Industrial Court has strengthened the hand of the workers," commented a lawyer on the out-of-court settlement won by a black contract worker and his unregistered trade union.

"In terms of the settlement, the employer, Precision Tools, agreed to pay the Metal and Allied Workers' Union R4 000 and committed itself to a recognition agreement."

The agreement provides for:

- Recognition of the union.
- Acceptance of the union's shop stewards.
- Shop steward representation for workers in grievance procedures which provide for arbitration in the event of a deadlock.

The union failed to achieve the reinstatement of Mr. Stephen Maponya who was allegedly victimised for his union membership by the firm's failure to renew his migrant contract.

But Mr. Maponya got a new job this week and is to receive about R1 000 from the R4 000 being paid to the union.
Industrials' Court Win for Unions

As almost continuous industrial disputes at all levels, the industrial court has been called into play.

JOHANNESBURG — 18/12/45.
HIGHVELD

Profits to level?

Activities: Produces iron ore, vanadium slag and pentaode, located near Witbank, Transvaal. Owner: Transvaal, which produces manganese ferroalloys. Member of the Anglo American group.


Capital structure: 67.9% of R1. Market capitalisation: R356.5m.

Financial: Year to June 30, 1980. Borrowings long- and medium-term: R66.0m, net short-term: R42.5m. Debt equity ratio: 32.2%. Current ratio: 0.8. Net cash flow: R88.9m. Capital commitments: R53.7m.

* Adjusted for provisions for renewal and replacement of fixed assets.

Share market: Price: 325c (1979-80 high, 560c). Earn. 245c, trading volume: last quarter, 414,000 shares. Yield: 12.5% on earnings; 5.5% on dividend. Coverage: 2.3. PE ratio: 8.1.

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Chairman Graham Boustred predicts that Highveld's profitability will at least be maintained in the next 12 months despite declining income from exports. The company has a record of 10% compound growth in earnings and 18% in dividends over the past five years. And even when profits have levelled off between one year and the next, dividend growth has been maintained. So despite the challenges to be faced if recession in the West worsens, chances are that Highveld will continue to give good returns to shareholders.

Growing demand for steel and related products boosted Highveld's local sales by 31% last year, and Boustred expects that increased output from expanded production facilities this year should offset the adverse effect of export earnings.

Capital commitments have increased to R53.7m compared with a year-ago figure of R38.6m, indicative of the large-scale expansion which the group is undertaking. Of this, R18m is earmarked for the installation of a tenth pre-reduction kiln, R10m for an oxygen plant and R6.5m for a fourth shaking ladle. Boustred says that the commissioning of these facilities by 1982 will raise annual steel production capacity to 900,000 t.

The group should continue to produce its products at competitive prices if power costs remain at their present level somewhat below those in Japan and Western Europe. What is hurting steel exports, though, is the strengthening rand—last year's dollar earnings of $172.4m were only marginally below the $173.7m of the previous year but the rand value fell from R1.50 to R1.42.

In addition, overseas demand for the group's products has fallen sharply in the early months of 1980 since the buoyant period in late 1979, and an upturn is not expected in the short-term.

Last year's 62% pre-tax profit hike to R70,1m (R43.4m) has provided a buffer against the levelling off expected this year. Dividend cover was raised from 2 to 2.2 times, despite the switch to R1.00 stock valuation. A slight drop in cover this year would thus allow for dividend growth despite steady profits. And a lower debt equity ratio of 31.7% (92%) should enable much of the capex to be funded by debt leaving more money available for payout.

On this basis, a dividend total of 32c (20c) could be expected if earnings are maintained at around 65c (64.5c). The share has moved up sharply over the past year from 278c to 526c where it yields a prospective 6.1%. Although the share seems slightly undervalued at present, the price is unlikely to move up much further until it becomes certain that domestic sales can offset export reverses.

Fried Haile.
By STEVEN FRIEDMAN
Labour Reporter

The new industrial court's first test case has ended in a major victory for contract worker Mr. Stephen Maponya and his union, the Metal and Allied Workers Union.

In an out-of-court settlement yesterday, Mr. Maponya, a former employer Precision Tools, a small Johannesburg engineering company, agreed to pay the union R4,000 and recognize it.

The agreement accorded recognition to the union shop steward in the factory as well as company recognition of the union itself.

The company has also undertaken to grant the union "stop order" facilities, grant its organizers access to its factory once a week and introduce a grievance procedure for workers.

Mr. Maponya and the MAWU brought the case to the court after the company refused to renew his contract as a contract worker. They charged the company did this in a reprisal for Mr. Maponya's union activities.

Although the union had originally asked the court to reinstate Mr. Maponya, he had found another job and this issue has thus fallen away.

Last month the court handed down an historic judgment in the Maponya case in which it found that unregistered trade unions were entitled to bring cases before it.

It also found that unregistered unions were entitled to bring cases to the court in which they alleged that their members had been victims of "unfair labour practices".

This opened a legal avenue to black unions, after the Supreme Court had found, in the "Bosman case," that black unions had the rights to bring an interdict against an employer on behalf of union members who fear victimization.

The industrial court also agreed to allow counsel for Mr. Maponya and the union to lead evidence to support their claim that the company had been guilty of "unfair labour practice" by refusing to renew the contract even though it was legally entitled to do so.
AIR OF QUIET EXCITEMENT AS GOVERNMENT WAITS ON NEW PROPOSALS

Saldanha steel plant still on the cards

By JACK BRICKHILL

THE Government has rejected proposals to erect a huge semi steel plant in Saldanha Bay but the project is still very much on the cards.

A consortium of foreign and South African interests put proposals to the Government earlier this year but certain requests were unacceptable.

It is understood the proposals for a plant, estimated to cost about R1,600 million, probably foundered on the question of rail rates and other export incentives.

A spokesman for the Department of Industries says the ball is now in the court of the consortium to present new proposals for what will be one of South Africa's biggest industrial undertakings.

The first proposals were examined by the Departments of Economic Affairs and Finance and were rejected by a Cabinet committee at the end of August.

A Saldanha Bay resident says there is a new feeling of quiet excitement in the town. People in the know — senior officials and leading members of the National Party — are walking around with a sparkle in their eyes and an air of expectancy.

The plant will make semi-processed steel products such as large flats, bars and sections to be exported for further processing into products in rolling mills overseas. The demand for semi's is particularly good in the United States where stringent anti-pollution laws discourage erection of blast furnaces in the first stage of steel production.

Additional iron ore and coke from coal will have to be brought to Saldanha Bay for blast furnaces and the question of rail rates is crucial to the success of the project. It is possible that direct reduction using electricity or gas could also be used.

The idea of a semi's plant has been around since a railway to transport iron ore from Soelen to Saldanha was planned 10 years ago.

The Austrian company Voest-Alpine AG had talks with Iscor on the construction of a plant costing R680 million to produce three million tons of semi's a year.

Voest, a state-owned company, ran into flak for proposing to invest in South Africa costs began escalating and with Iscor in financial difficulties at the time, the project was postponed.

NOTE CAREFULLY

1. The answers only on the right hand pages will be marked. The left hand pages may be used for rough work, but no credit will be given for such work.
2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
3. Blue or black ink must be used for written answers.
4. The use of a ball pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

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

Any dishonesty will result in the candidate being disqualified.
Controversy rages on in machine tools

By ELIZABETH ROUSE

The industry's counter-argument is holding up as cheap imports from Spain, Iron Curtain countries and Taiwan are now flowing in. In fact, all overseas prices are highly competitive at the moment because the international machine tool industry is in recession and booming South Africa is one of the few lucrative markets.

The dealer versus local industry battle began when new and used machine tool dealers started scrambling to satisfy unprecedented demand from the industrial sector.

The used machine tool dealers began pleading for a customs duty rebate to make their imports competitive with new machinery and to help them bring in the machines quickly to fill supply gaps.

The association points out that the duty was imposed when the needs of building up a strategic machine tool industry were investigated and that a rebate in duties can only be sanctioned by Parliament.

The problem stems from the general underestimation of the industrial surge in South Africa, the extent of which caught both importers and local manufacturers by surprise.

Most dealers said the local machine tool industry was unable to deliver on time.

Mr H W Holsteyn, chairman of the Machine Tool Manufacturers' Association, says that criticism of long delivery times on local machine tools is unwarranted. Delivery times have not been longer than three months.

This is about the time it takes to place an overseas order and take delivery in South Africa.

No used machine tool dealer and few new machine tool dealers have ever placed stock orders with local manufacturers. They take it for granted that makers should keep stock for them, says Mr Holsteyn.

They keep large stocks of imported machine tools, however.

This hinders the South African industry in planning production lines and arranging finance in advance.

Unlike deals with overseas suppliers, whereby down payments have to be made on order and the balance paid on shipment, dealers make no down payments when placing orders in South Africa. In some instances they arrange to pay the maker only when the stock is sold.

This means that the maker is ultimately financing the machine tool merchant, says Mr Holsteyn.

Other factors that place local makers at a disadvantage against overseas manufacturers are excellent export incentives offered by most overseas governments and good credit facilities in exporting bulk orders.

In the case of Iron Curtain countries where the industry is state-owned, the machine tool industry concerned can sell at highly competitive prices at times, depending on whether they need South African raw materials.

This applies particularly to the Czech industry, which has sold machine tools to South Africa at prices 35% below the local industry's — in spite of the duty.

Machine tool controversy

From Page 1

Mr Holsteyn adds that another factor is local importers who sell at prices below those of the maker, which is illegal. He claims that the industry is in the process of obtaining maximum import duties from the government to cover the cost of maintaining a large stock.

He claims that the Government is fully aware of the need for a new machine tool import duty which is able to cover the additional cost of maintaining a stock.
Steel output slumps

Crude steel production in July was 35,686m tons compared with 46,684m tons in the same month of last year, a decrease of 23.9 percent. This sharp drop exceeds by far the lower output to be expected from seasonal influences.
Protea revises its budget

Deputy Financial Editor

AFTER reporting a 58% earnings increase in the half year to June yesterday, Protea Holdings has traded so well in recent months it is to revise its budgets for the rest of the year, says the managing director, Mr Ashton Beard.

The group's forecast in the annual report to be published early next month will be based on these budgets. With all of its many divisions reporting better profits, it increased pre-tax profit 56% to R28 276 000 on a 28% increase in sales, which were R776 532 000.

Thanks to a lower tax rate and a 44% rise in associate earnings, taxed attributable profit rose 60% to R16 349 000. Earnings per share at 54.6c (1979 34.5c) were 58% better.

The final dividend was increased to 16c, making 26c for the year, a 41% improvement on 1979's 17c.

The latest results mean that Protea has achieved a compound annual growth rate of nearly 20% over the past five years. The 20-year growth record is an equally impressive 19.3%.

Even though earnings fell in 1976 and 1977, dividends have never been cut during the 20-year period.

According to Protea, management is more concerned with long-term performance than growth in any particular year and this is why its planning periods are over three-year spans.

Mr Beard says the electrical and electronic divisions turned an excellent performance with chemicals only slightly less impressive. The consumer products division increased profits.

The lower tax rate was brought about by turnarounds in several companies.

COMMENT. At 37c, Protea yields 6.5% on a market with an average industrial yield of less than 3%. Considering that the dividend is likely to rise by at least 25% in the year ahead, and thus suggests a prospective yield of 8.1%, the share is underpriced.
THE booming economy is producing a bonanza in contracts for firms in the construction and electrical sectors.

GEC Power Products has received a R3200 000 contract from the Government for the design, supply and installation of electrical equipment for 11 23 kV a/c traction substations on the coal line between Ermelo and Richards Bay.

The municipalities of Soweto, Ditsung, and Dobsonville have awarded Brown Bouwerie a R7-million contract for the supply of six main substations for the Greater Soweto electrification project.

And a R1.5-million contract has gone to Murray and Roberts to build new headquarters for Anglo Alpha Cement.
Fintec's profits up

Fintel, electrical appliance manufacturer and distributor, has increased taxed profits 22% to £233,002 (N231,927), says the interim report for the six months to June 30 1988.

Over the period, interest payments were down 54% to £93,031 (N85,752)

In pursuance of the policy of its German holding company, Busch-Jaeger Electro GmbH, no interim dividend has been declared.

Busch-Jaeger acquired a further 300,000 shares making its holding 2,250,000 representing about 57% of the issued share capital.

At 11½ the share currently yields 4.3%
Group in Stages a comeback
BY DAVID CARTER
Morlite has a sterling comeback

Deputy Financial Editor
MORLITE, Mr Jimmy Haslam's building supplies and engineering company, made a fine comeback in the year to end June, converting a loss of R12 870 000 into a profit of R230 000.

Because of past assessed losses no tax was payable with the result that earnings per share were 23.6c on a weighted average basis, compared to last year's loss of 69c.

A dividend of 5c has been declared.

The preliminary report says the turnaround was 'material' rather than budgeted for.

It was achieved by better cost control, the elimination of losses, improved selling prices and the contribution of new divisions, Ace Engineering and Bensom Forge Products.

According to Mr Haslam, the stemming of losses was the biggest factor in these figures but the strong upturn in the remaining division was also important.

He told me there was still 'plenty' of profit mileage merely in improving existing operations.

The new acquisitions were all performing above expectations.

Next year he expected Ben- som Forge Products in these results for only four months and Boksburg Foundry, which is not included at all to be the major profit contributors to Morlite.

They would contribute approximately 35% of profit each, while the two window factories remaining in Morlite would bring in 20% and Ace about 10%.

While Morlite still had big assessed losses, some assessments would have to pay tax in the year ahead.

Boksburg Foundry, which makes consumable manganese steel castings for the mines, is expected to add 4c to earnings in the year ahead so that alone should ensure an 8c rise next year.

Jimmy Haslam tells me that dividends will be approximately 40% of fully taxed earnings.

This year's dividend was worked out assuming a full 42c tax rate on the R230 000 before and after tax profit and this will be policy in the future.

COMMENTS: It would be surprising, with the mining and building industries likely to boom for some time to come, if Morlite does not achieve solid earnings growth in the year ahead despite the greater number of shares that will be in issue next year end.
CONDITIONS in the meat and livestock industries are similar to those in the mineral and engineering industries in that the industry's profit margins are reduced.

The industry also faces the same problems of overcapacity and overinvestment, which have led to a decline in production and a decline in prices.

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Untrained welders waste money

By Sieg Hannig
Labour Editor

An estimated wastage of 8500 per year is attributed to lack of training in welding in South Africa says Mr Chris Smallbone, executive director of the South African Institute of Welding.

He says the steel and engineering industry has fewer than half of the welding apprentices it would like to have.

And the expansion of steel production indicates that South Africa will have to double its number of welders over the coming 10 years.

"This manpower problem has prompted leading companies to provide about R1m in cash and equipment for the creation of a welding training centre in Johannesburg," Mr Smallbone said.

He hoped the training centre, to be run by his institute, would be ready by the middle of next year.

The centre would provide training right up to engineering level for welders of all races.

It was expected to cater for training of about 400 welders annually in five to 10-week courses.
Seifsa reports steady output

By Peter de Vos

Largely as a result of higher consumer spending and expanding mining activities, the Steel and Engineering Industries maintain their appreciably higher levels of output. According to the Steel and Engineering Industries Federation July report, the output levels achieved during the second quarter of the year show no signs of decreasing.

In fact, manufacturers of motor components, building supplies and the basic iron and steel industries report further improvement because of expanding mining activities. Further improvement in the construction industry and higher consumption expenditure on durables.

The large general engineering sector continued to benefit from the increasing consumption of goods and services in the mining sector and reports increasing orders and output.

Expansion in mining and the electricity generating sector is pushing output in the heavy engineering higher. The industry can look ahead to a "satisfactory increase in workload this year," according to Seifsa.
Future bright, says Seifsa

Industrial Reporter

BUSINESS confidence in the metal and engineering industries is improving and capital investment last year was more than a quarter up on 1978, according to the latest survey by the Steel and Engineering Industries Federation of South Africa (Seifsa).

The survey says the business outlook is particularly bright among the basic metals group of industries.

New capital investment in 1979, at current prices, totalled R131-million, an increase of 25.9% on the relatively low level of 1978, the survey says.

More than 80% of the new investment went in spending on new machinery, plant and equipment to keep up with the rising demand for goods and services, particularly in the mining and electricity-generating sectors.

Spending on imported products in 1979 was up 3.5% over 1978 but 35.6% more South African-made plant and equipment was bought over the same period than during the preceding year.

Investment in new buildings and other construction projects in 1979 was up 43.1% on the year before.

The basic metal industries—iron and steel, basic non-ferrous metals, steel pipe and tubes and steel, iron and non-ferrous foundries—spent R137-million last year in new capital investment, an increase of 55.7% on 1978, the survey says.

The metal fabricating and engineering industries—fabricated metal products, machinery, electrical machinery and car components, spent 15.5% more in investment last year than in 1978.
No 182, 1980

DATE OF COMMENCEMENT OF THE ARMAMENTS DEVELOPMENT AND PRODUCTION AMENDMENT ACT, 1980 (ACT 86 OF 1980)

In terms of section 6 of the Armaments Development and Production Amendment Act, 1980 (Act 86 of 1980), I hereby declare that the provisions of the said Act shall come into operation on the date of publication hereof.

Given under my Hand and the Seal of the Republic of South Africa at Pretoria this Fifteenth day of August, One thousand Nine hundred and Eighty

M. Viljoen, State President
By Order of the State President-in-Council
P.W. Botha
SP tries to get strikers to return to work

By STEVEN FRIEDMAN
Labour Reporter

SECURITY police have been approaching workers who are on strike at an East London factory and urging them to return to work. The strike, at Ray-Lite Batteries, has also led to the arrest of four of the company's workers and two officials of the South African Allied Workers' Union. The strike remains unresolved after two weeks. The SAAWU, which says it represents all the strikers, claims 99% of the firm's workers have refused to return.

The Ray-Lite action followed several other strikes in East London, which is fast becoming a centre of black worker organisation. Although Ray-Lite spokesmen were unavailable yesterday, management has said the factory is back to full production because strikers have been replaced by new recruits from neighbouring townships.

Both the police and the arrests have become major issues in the strike, and workers are demanding an end to the police approaches and the release of those being held, before they return to work. They are also demanding company recognition of SAAWU. The "Mall's" East London correspondent reports that police have confirmed that Security Police visited 58 strikers and told them it was now safe to return to work because "intimidators" had been arrested.

The union claims that workers feel intimidated by these approaches. In another development in East London, 128 workers from a plastics factory, National Convertor Industries, are to appear in court today, charged with contravening the Riotous Assemblies Act. The charges follow an incident at the company after workers had demanded the recognition of a committee elected under the auspices of SAAWU. The strike at Ray-Lite was sparked by management's refusal to recognize a committee elected under SAAWU's auspices and to deal with the union. SAAWU claims the company refused because the union is not registered.

However, management says it took this step because the union "could not provide evidence of its bona fides" and because it could not allow "a committee to be elected from outside the factory." Shortly after the strike, two union officials, Mr Richard Gweta and Mr Siya Nkumana, were arrested. Mr Nkumana has been released, but Mr Gweta has been charged under the Riotous Assembly Act.

He is still in police custody, but is likely to be released on bail when he next appears in court on August 28.

Four workers - three members of the worker committee and a union shop steward at Ray-Lite were arrested last week and have also appeared in court, with the State alleging they "intimidated" workers. Bail has been refused, but it is understood that the four will be released on R100 bail later this month.

Workers are now demanding the release of their colleagues, an end to police approaches and the recognition of SAAWU before they return to work. Negotiations with management have been "inconclusive," according to a union spokesman.

He rejected claims that production was back to normal. "Most of the workers are fairly skilled and can't be replaced that quickly," he said.
The future of the building industry is booming, the picture for civil engineering contracts looks bright.

Grim Future for Engineers

THE STATE OF \# OF

Alain Cooper, Property Editor

Flats

Strand

R5m for

19-10 ARRAYS

20-9-10

1990

The building industry is booming. The picture for civil engineering contracts looks bright.

While the building industry is booming, the picture for civil engineering contracts looks bright.

The state of the economy.

However, the future of the building industry is bright. The picture for civil engineering contracts looks promising.
Profession faces shortage of graduates

By COLIN VINEALL
Property Editor

THE acute shortage of civil engineering graduates entering the profession means that there will soon be three jobs available for each newcomer, according to national president of the Institution of Civil Engineers, Jan Brandwiet. He was commenting in an interview during a break in the symposium held in Durban this week, on the profession's prospects for the decade ahead.

He said youth had been put off by the recession, by the need to obtain a difficult degree and aspects of military service.

Brandwiet described civil engineering as a thoroughly satisfying career with an infinite variety of avenues. But he saw some youngsters being put off because they would have to set "their hands dirty" during the early stages.

"There is tremendous competition from other professions," he said. He talked of civil engineering as a networking for humanity, not adding to unemployment, and that women are more involved.

He said one of the difficulties was black people being employed in Government for half the salaries they should be able to command.

Many found positions overseas.

He also blamed the educational system which did not stress subjects such as mathematics enough to encourage blacks to move into an engineering career.

The symposium was attended by about 100 civil engineers. The first paper presented emphasized the importance of the young graduate civil engineer.

Mr. J. N. W. H. Thorpe, a past president of the Federation of Civil Engineering Contractors, discussed whether the profession would demand of young graduates, and "unfortunately specialization will increase.

He said it was unfortunate because he believed the graduate loses much by not being exposed to the full range of civil engineering activities.

"One cannot discount the future role of Technicians in producing highly competent technicians who will take over to an increasing extent, operations previously carried out by the graduate."

This in turn will bring about the requirement that the graduate must be better able to fulfill the roles which he performs.

There is already the need for two types of engineer — an engineer competent in design and the engineer competent in management.

Specialization will increase this polarization and the universities will need to restructure their courses to allow for this distinction even at undergraduate level, while industry will have to stagger the training period as well.

Other points from papers presented at the symposium included:

- Water as a demand, in extent and sophistication, the city's, and economic, water supply projects are becoming more important. Projects for future water needs is going to necessitate development of more sophisticated projects.

- Civil engineers must be prepared to let their ingenuity run free of conventional codes and restrictive norms and become involved in the politics of developing resources of common interest to neighbouring states. — E. A. Pullen, Assistant Chief Engineer, Department of Water Affairs.

- The new materials and industries being developed are important. One new material that is being extensively used is the glass-fibre reinforced concrete. This material has many advantages over traditional materials, but the major drawback has been the attack of alkaline concrete on the glass-fibre, resulting in the loss of the advantages properties over relatively short periods. The rate of deterioration is accelerated under hot and humid conditions. The introduction of a new speciality in the field of glass-fibre reinforced concrete has extended the effective life of the material. — George Donaghon, Assistant Director, N.R.I.

- Railways. Whereas in the past, the main emphasis had been on the new railways and harbour developments, the next decade will see a shift to the Transvaal. The new central station will be the new central station at Randfontein and the new central station at Johannesburg. — B. J. Waller, Deputy Director, Department of Water Affairs.
Ferro-alloy production up

Financial Reporter
FERRO-alloy production rose by 32.5% to 121,709 tons in the first half of 1968 compared with 73,209 tons in the same period last year, the Steel and Engineering Industries Federation of South Africa says.

Non-ferrous castings produced by the private sector rose by 42.8% to 12,999 tons while iron castings rose 16% to 143,900 tons and steel castings 3.6% to 63,900 tons. Sefina's monthly bulletin shows production of pig iron rose 5.9% to 1,105,000 tons and of ingots and and continuously cast billets by 5.4% to 4,934,200 tons.

Iron production futures were: pig iron ingots and continuously cast billets 771,500 tons, pig iron 6,246,500 tons, ferro-alloys 127,700, steel castings 12,000, iron castings 25,900, non-ferrous castings 2,782.
STEELMAKING is being modernised and employee morale is also rising rapidly at the State-owned organisation. Dr Tommy Muller, chairman of the 68 000 workforce company, describes the turn-around as dramatic after several stagnant years.

His hints of a R100-million surplus this year should be regarded as conservative.

Dr Muller admits that the final figure will be significantly more than his recent off-the-cuff predictions.

But he declines to reveal the precise profit pending Iscor's imminent annual report.

Meagre

General manager Floors Kotzee agrees that Iscor will have more than R100-million in hand this year despite relatively meagre returns from widely depressed overseas markets.

"We're working at full capacity. Domestic demand rose 25% in the last July-June period and we expect it to go up at least another 8% in the current 12 months," he adds.

Top executives at Pretoria headquarters are meanwhile taking off the weeks to publication of Iscor's latest profit-and-loss.


00-million boost
steel industry

...a R1 000-million
action and profits are
old iron and Steel
era.

By
BILL CAIN

account after living through several stagnant years
Aggregate losses of R234-million during the six
revenue years have in 12
months been turned into
substantial profits
This was eased by a
300-million government
aided in 1979 to halve a
massive R143-million an-
nual deficit
Exactly how big the
up turnaround is from last
car's R350-million loss
will take some working
out as Iscor is changing
to life inflation
counting
This year's actual profit
is just about be halved
to show up as a more
modest R600-million or so.
The R1 000-million
reported for 1981-82
reflecting at today's prices
plant looks like being
amped as expected out-
snowballs towards the
decade
This includes R300-mil-
mion earmarked for a yet-
mined mine, north of
Southport
No great greenfield pro-
jects, apart from one or
two mining schemes to do
with the critical quest for
better coking coal, are
likely in the foreseeable
future
Recurrent speculation
that Newcastle's steel-
making facilities will be
doubled looks like remaining
speculation.
The original estimated
cost of about R700-million
has, after a couple of post-
ponements mainly because
of declining world eco-
nomic conditions, zoomed
to nearer R1 000-million
At best major expansion
at Newcastle, failing a mu-
raculous surge in domestic
and overseas demand for
steel, will remain a pipe-
dream till nearer the end
of the century

Accent in the medium
term will be on moderni-
sation and consolidation
Most noticeable shift in Is-
scor's overall strategy will
be a spread of its coal
mining interests
The corporation will do
so by increasing its own
calcium contribution from
the present 25% of needs to
nearer 50%
Dr Muller says "We'd
prefer to stick to steel-
making but, in the long
run, it will be cheaper and
healthier for us to open
more of our own mines"
These will be apart
from the R234-million
Grootegeluk open-cast
scheme near Ellisras in
the northern Transvaal
Another significant shift
in Iscor policy — and pros-
pects — will be the deter-
ned shaking off of stut-
tifying finance charges
Last year's R141-million
in loan interest repay-
ments brought the 1975-79
five-year aggregate to
R400-million
Planning divisional gen-
eral manager Keith
Prince is among top exec-
utives who point to a
positive cash flow
throughout Iscor's dold-
rum years
General manager Floors
Kotze emphasises that the
68% debt-asset ration
in 1975 has been pared to
its present 48% with the
intention of trimming it
further
Chairman Muller says
simply "Finance charges
have been an albatross
round our necks"
Record growth
for
Haggie

By DAVID CARTE
Deputy Financial Editor

A DECLINE in exports because
of the strong rand and a higher
tax rate did not stop Haggie,
one of the world’s biggest mak-
ers of wire ropes, from achiev-
ing record earnings growth in
the six months to end June.

According to the interim re-
port, Haggie pushed up sales
31% to R97.2 million, pre-tax
profit 30% to R19.7 million and
taxed attributable profit 40% to
R12.5 million.

Because of the greater num-
ber of shares in issue after the
Samuel Osborn minorities take-
out, earnings a share were 45%
better at 68c (1979 47c).

The interim dividend was
raised 50% to 15c (10c).

The booming mining industry
was mainly responsible for the
improvements in Haggie’s for-
tunes, despite regression on
the export side. In addition,
Samuel Osborn achieved “a
substantial increase in profit”

The directors say profits will
not increase at the same rate
for the full year, but forecast a
dividend of not less than 45c a
share for the year.

New acquisition, Consolidat-
ed Wire Industries, the 50%
joint venture with Iscor, is not
consolidated in these results
but should make a maiden con-
tribution in the second half.

Because of reduced exports,
the tax rate rose from 30% to
34%, a level it should hold in
future, says chief executive,
Mr. Richard Savage. Exports,
he said were down 10% in vol-
ume, terms because of the
strong rand and the depressed
American economy.

COMMENT. It has been an
eventful year for Haggie, listed
through reverse takeover late
last year. Apart from the very
attractive CWI deal with Iscor
recently, it has taken out the
minorities in Samuel Osborn.
And control of Haggie’s has
changed from Briden of the UK
to Anglo and Union Corp, who
today hold 53% each.

The company has no borrow-
ing and last year’s first half
was by no means a disaster.
Thus makes these results very
impressive. With mining expan-
sion going up apace and the
company now diversified into
many sectors of the economy
through Consolidated Wire, the
best is yet to come.

The forecast minimum divi-
dend of 45c is an improvement
of 25%. Alongside these figures
is likely conservative.

It would be surprising if Haggie
were not 30% ahead at the
year-end with earnings on 134c
and assuming dividend cover of
2.8, a total payout of 48c.
All in all
all's well,
Cullinan reports

By DAVID CARTE
Deputy Financial Editor

WITH attributable profits up 81% in the year to end June, Cullinan Holdings reports "all's well in all divisions" - including refractories.

Cullinan's bullish view on refractories comes less than a fortnight after Mr Graham Rostrud, chairman of Vereeniging Refractories, reported business slow in refractories during the same period.

A Cullinan spokesman said his group was happy with local demand for refractories and "more than happy" with export demand. Cullinan received just less than half its profits from refractories.

The spokesman said export prices for refractories were higher than local ones and was confident local prices would eventually have to move up to match foreign ones.

Not even the strong rand was proving a problem, he said, as the refractories being exported were a specialised, high-quality product, not easily obtained more cheaply elsewhere.

Cullinan's preliminary report shows sales up 39.2% to R75 000 000 and operating profit 44.3% better at R11 061 000. Web interest costs up only 19.4%, pre-tax profit was 62.2% better at R14 827 000.

The tax rate fell from 34% to 26%, with the result that taxed attributable profit was 87% ahead at R17 787 000.

Because of the greater number of shares in issue after Old Mutual's exercising an option to acquire 500 000 shares recently, and the issue of more shares for acquisitions, comparable earnings a share (before life) were 55% better at 93c (1979 61c).

A final dividend of 17c has been declared, making 27c for the year, a 26% improvement on 21c paid in 1979. This means cover by pre-life earnings has increased from 2.9 to 3.5.

For the first time, Cullinan has valued its stocks on the life method of valuation, which reduces normal profits but also tax.

The life provision knocked R1 780 000 off attributable earnings, with the result that post-tax life earnings were R1 087 000. No life provision has been worked out for last year, so post-life earnings, equivalent to 75c, are not comparable.

Life enhanced cash flow by R1 201 000.

The Cullinan spokesman said these were no problems in any divisions and all performed well even the previously problematical andalusite mine.

With SAG Ceramics of Boksburg involved for the full year for the first time, the electrical porcellan division had done particularly well. Two new additions to the division and strong demand for electrical porcelain from Eskom, the SAR and the mines made the medium term outlook look bright, he said.

Last year's rights issue the recent R10 million convertible debenture issue and the much higher level of dividend cover, he said, were aimed at keeping the balance sheet in good shape despite the group's aggressive expansion and increased working capital needs. Exports, he added, required far more working capital than domestic sales.

Expansion had recently been concentrated in the electrical porcelain division. Soon Cullinan would embark on further mining expansion. The group had acquired the rights to a large bentonite deposit in the Southern Cape and intended to exploit this. Bentonite was used in the re-mining of oil in foundries, the chemical industry and in drilling.

Cullinan was also contemplating another andalusite mine.

COMMENT At 106c Cullinan yields 5.8% on the new dividend, that may be on the slender side but the price is only 5.5 times pre-life earnings and with recent acquisitions still to come to account and existing divisions performing well, there is plenty of growth left in the stock.
A handsome div from Asea

Deputy Financial Editor
ASEA Electric, the maker of high voltage electrical equipment, reported only a small rise in taxed profit in the six months to end June but has increased the interim dividend handsomely.

Taxed attributable profit in the first half was up 10% to Rs 750,000 but the first half payout rose 26% from Rs 40,000 to Rs 90,000.

Earnings rose from 23c to 24c per share and the dividend from 5c to 6c per share. But, after the capitalisation issue, there were 700,000 more or 11,500,000 shares in issue and this makes the published earnings and dividend per share figures incomparable.

Asea is encouraged by satisfactory increases in turnover and orders received, says the interim report. The cable division has exceeded expectations and the new distribution transformer and capacitor factories are operating and will increasingly contribute to profits.

Capital investment has declined but working capital requirements increased. Asea has taken advantage of low interest rates to redeem overseas loans and foreign facilities remain available, the company said.

COMMENT First half earnings rose 33% last year, so were particularly good. To have improved on those after the cap issue and in a period in which two new factories were opened was an achievement.

But the 5½ share price offers a thin yield and a high earnings multiple. It appears to discount more than dividend and earnings prospects. Perhaps the hope of a takeover by one of the A-tech companies still lives. It looks a sell.
Globe wants all Shipwrights

Financial Reporter
GLOBE Engineering Works proposes a complete takeover of its subsidiary Shipwrights. The two companies are in the Anglovaal group.
A scheme of arrangement is proposed by which Shipwrights shareholders will be offered nine Globe shares for every 10 Shipwrights.
Globe closed at 375c on the Johannesburg Stock Exchange yesterday and Shipwrights at 285c.
On that basis Shipwrights shareholders are being offered Globe shares worth 2 775c for every 10 Shipwrights shares valued at 2 950c.

The directors of Globe — marine, electrical and general engineers — say that if approved, the deal will simplify the administration of the Globe group and lead to cost savings.
Had such a scheme been effective on June 30 last, the earnings, dividend and net asset value of Globe shares would not have been affected.
However, the directors say, for each Shipwrights share held, members of that company would have earned 12.7c more a share and received 1.6c more a share in dividend, and the net asset value would have been 15.4c a share higher.

In the Globe report for the year ended June 30, the chairman, Mr R J Hamilton, says: "It is difficult to predict results in the current year, particularly as the group operates in the international marine market where excess capacity exists.
"As Western economies approach recessions of varying degrees this position is expected to worsen and competition, already keen, will inevitably intensify. "On the positive side, however, the group has a reputation for maintaining excellent standards of workmanship and, notwithstanding inflationary trends, it is believed that it will continue to remain competitive in both the local and international markets."
Abercom chief's confident forecast

By Jean Moon

Mr Peter Herbert, chairman of the diversified engineering group Abercom, said in the annual report that he expects to report further increases in profits during this year, and forecasts total dividend payments should be at least 28 cents a share. Last year's total distribution of 24c was covered 2.1 times by earnings.

While pre-tax profits leaped 52 percent in the year from a mere 24 percent rise in sales, the heavy dilution from the rights issue in May last year, and the near doubling of the tax rate to 20.8 percent, left earnings for shareholders 37 percent higher at $8.8m.

The profit against sales ratio improved from 8 percent to 8 percent, and the net asset value per share improved from 2$8c to 316c. An amount of $74m remained available for reduced future tax charges.

Heavy engineering accounted for 37.3 percent of turnover, and 55.3 percent of pre-tax profits. Metal components contributed 26.1 percent of turnover and 23 percent of pre-tax profits.

Light engineering's contribution accounted for 14.9 percent of turnover, but only 6.3 percent of income.

Abercom would continue to acquire small and medium-sized companies only when they were directly relevant to existing areas of specialisation. But the acquisition of larger companies would be given when they were relevant to Abercom's existing activities or when they brought to the group new fields of activity capable of standing alongside existing business as viable and worthwhile long-term investments.
A leading importer of machine tools has accused the country’s biggest manufacturer of “undue influence in government circles” in procuring protection from competing imported products.

This is the accusation of Robert Skok, MD of Robert Skok & Son, the machine tool importer, against Six Hundred Group, a local manufacturer. In a letter to Industries & Commerce Minister Dr Schalk van der Merwe, Skok claims that all applications by Six Hundred for import protection are “automatically approved” by government.

Says Jim Economides, Six Hundred’s MD: “We do not enjoy any government preference.”

The furor in the R16m-a-year business has arisen out of Six Hundred’s latest application to have a 20% tariff and an import permit requirement slapped on to turret milling machines his company proposes to make locally.

Six Hundred has already succeeded in getting tariffs of up to 160% placed on some centre lathes as well as still duties on imported drilling machines and sheet metal machines. Skok and other importers claim that this protection is not deserved. They allege that Six Hundred adds very little local content by value to the machines it sells and that it still imports substantial quantities of these machines in fully finished condition without paying the duties to which its competitors are subject.

“The industry, and ultimately the customer, is paying R5m a year in import duties to protect a local manufacturing investment of less than R2m,” says Skok.

It is claimed that when Six Hundred is given protection on an item, prices invariably rocket. In his letter to the Minister, Skok cites the prices of Arboga drilling machines, which he claims, “doubled overnight” after Six Hundred was awarded protection. Importers also claim that it is often cheaper to buy a lathe from a dealer in the UK, ship it to SA and pay the duty, than buy the identical item from Six Hundred. Economides vigorously denies this.

In a letter to the Board of Trade and Industries, Doug Suhn, chairman of the Machine Tool Merchants Association, writes that Six Hundred undertook to achieve the complete local manufacture of centre lathes some years ago and that this had not yet been done.

Machine tool merchants are also critical of the Holke, the type of milling machine Six Hundred proposes to make here. “The Holke is of such inferior quality that in open competition with between 600 and 700 milling machines imported into the country, it sells only about 25 a year,” says Skok, who markets the Bridgeport machine which, he claims, has 70% of the market.

He further claims that total production of the Holke factory in Spain is only 500 machines a year. “It is therefore patently obvious that even if the entire production of this factory were given over to the SA market, it would be unable to meet the demand.”

This statement is backed up by the Machine Tool Merchants Association’s “He’s talking through the back of his hat,” says Economides “We can supply the demand and will have 65% of the market in three years. Our local content should be about 75% by then.”

Economides also says that the market size figures quoted by Skok are “too high.”

Suhn, on the other hand, maintains that Economides’ record of fulfilling his local content undertakings has not been impressive.

Importers also complain at having to pay duties on high precision lathes not made by Six Hundred. Says one German importer: “Six Hundred makes the Colchester which is a good workhorse lathe for general work and training purposes but it was never designed as a precision toolroom lathe and my customers pay up to three times more for such a machine. They are doubly penalised by having to pay the import duty as well.”
Two Iscor men win R22 648 each for brainwaves

By MARTIN WELZ

TWO Iscor employees have received record bonuses of R22 648 each for money-saving tips they gave the corporation last year. The previous highest amount paid to an Iscor worker for a money-saving tip since the scheme was introduced in 1948 was R15 500.

Iscor estimates that the tips given by Mr. Durk Botha and Mr. Jan Kruger, both employed at the Newcastle works, will save the corporation more than R180 000 a year.

Mr. Botha, 36, has worked for Iscor for 15 years. He is a co-coordinating foreman at Iscor works in Newcastle. He told the Sunday Times this week that he had started working on his idea more than 10 years ago.

He had no formal scientific training, but for the past five years has been studying part-time for an engineering diploma at the Newcastle Technical College. He hopes to complete the course at the end of this year.

*Corrosive*

His discovery relates to the corrosove effect of slag formed in basic oxygen furnaces in the steel-manufacturing process.

Formerly, the expensive fireproof linings of the furnace had to be replaced after every 225 firings because of the chemical composition of the slag formed in the furnace.

He found that, by the addition of dolomite to the mix, the furnace lining needed replacing only after 450 firings, when combined with a blast technique developed by his colleague, Mr. Kruger. Mr. Kruger is head smelter.

Their money-saving techniques were first applied on an experimental basis at the Newcastle works five years ago. It proved successful.
Migrant flood for Iscor’s UK office

By SIMON WILLSON

LONDON — Iscor is set to take advantage of redundancies in its workforce by recruiting redundant workers.

The recession-caused layoffs by British Steel this year have come at the right time for Iscor whose expansion is so far starved of skilled manpower that its present production targets may have to be revised downwards unless extra labour can be recruited.

Iscor has had a recruiting office in Britain since 1970 but it has never been as busy as it is now.

Last week as British Steel closed down yet another steel works employing 5,000 men at Corby in County Durham, Iscor placed a new six-column advertisement panel in the classified section of the Daily Telegraph Britain’s biggest-selling quality broadsheet daily.

Headed Steelworks expansion on a massive scale in South Africa, the advertisement says the positions at Iscor offer sustained challenge, substantial long term prospects and an outstanding lifestyle to the truth oriented motivated.

The advertisement concentrates on the contrast between South Africa’s expanding economy and the simultaneous recession in Western Europe.

Unlike the economies of most other heavily industrialised Western countries, South Africa’s booming raw material demands are plentiful, industrial relations are healthy, the gross wage rate is low, VAT 1 and the standard of living is as high as ever it says.

The line is obviously having the desired effect, Iscor recruitment head here, Mr Len Verheul, says the corporation will attract considerably more migrant workers this year than last year.

The exact figures are hard to calculate at this stage because some applications are still in the pipeline and other workers change their minds at the last minute, but the indications for this year are pretty good,” he said.

Our intake is always improved by recession in the European steel industries, although it takes some time for factory closures here to turn into applications to join Iscor.

When a European steel worker is made redundant he first of all looks for work in his own country and only turns to the possibility of working abroad once he has exhausted all prospects at home.

So in the case of the Corby closure it will probably take a few months before any of the plant’s workforce come to us. It is certainly not worth our while to approach the laid-off Corby men directly.

Iscor’s London-based recruiting office also handles advertising and job applications in the rest of Europe Scandinavia and Israel. Iscor has stepped up advertising in France for the moment, but Sweden, Finland, Israel and the United Kingdom are proving to be the most productive sources of immigrant manpower.

The corporation’s recruitment office is also recruiting over the short term — a minimum three-year contract — to employ the more resilient workers who are unsure of a complete transfer. They are looking on the lifestyle and conditions which the workers encounter over the three years convincing them to stay on.
SHORTAGE IN 1982

OF ENGINEERS

Alan Cooper, Property Editor

THERE will be a grave shortage of civil engineers by 1982, at a time when opportunities will be great, says Professor J B Martin, head of the Department of Civil Engineering at the University of Cape Town. Universities throughout South Africa report a severe falling away in the numbers of graduates.

Forecasting that the present upsurge in construction in South Africa will continue for some years, Professor Martin said 'the demand for civil engineers is very large while the output at present is small.'

There were 'tremendous opportunities' at present for civil engineers.

As this country grew and the population increased, more infrastructure—roads, bridges, towns—would have to be provided and this growth would need engineers.

Despite this promising future, the recently depressed state of the building industry had deterred people from studying as civil engineers. 'This is going to bring serious problems in the future,' he warned.

In a report on professional engineering manpower demand and supply, Mr P D J Lloyd, Mr P Scibante and Mr D W de Vos point to the expected shortfall in engineers.

In 1982 the projected demand for civil engineers will be 780, a year minimum.

(1) Actual number of graduates in 1982 in South Africa will be about 130.

It is projected that it may be possible to attract another 200 foreign graduates but the figure is more likely to be 60.

Professor Martin gave figures for his department’s enrolment:

1976 72 graduates on the course
1977 82
1978 61
1979 61
1980 60

The third year class the year numbered 55 of these about 40 would graduate.

The second year class numbered 42. Of these about 30 would continue to the third year.

The same pattern was seen in all universities in South Africa, he said. 'But it is surprising that, even when conditions are slow in the construction industry, there is never any difficulty in placing civil engineers in jobs,' he said.
There has been a four per cent increase in the number of factories in India up to June 1956 and the number now stands at 3,360. But the number of workers increased only fractionally in the same period to 106,159 up 309.

The figures supplied by the Department of Co-operation show that employment of black women dropped in the same period while that of men and white women rose. More men were taken on to reduce the overall increase to a few hundred.

There was a 9 percent employment fall for coloured women, 11 percent for Indian women, and a 16 percent fall for African women.

Unemployment figures in Durban for July 1958 compared with July 1956 indicate an overall lower level. There were 1,167 unemployed and 12,299 registered with the department this year compared with 6,914 registrations and 5,948 unemployed a year before.

Each of the sectors has been surveyed by the department.

Engineering: There has been a notable improvement generally and most employers have a full workload.

The maritime division is extremely busy and the position for the rest of the year appears to be very favorable. There were 90 artisans unemployed in July 1958 and 124 artisans unemployed in July 1959.

Building the position in the last year has improved considerably and most employers are working to capacity. There are 417 artisans unemployed (531 previously) and 150 operators out of work (140).

Textiles: There has been a big improvement and while new factories have not been opened existing factories are now being used to a maximum. There are 38,489 registered as unemployed.

Clothing is very busy at present and there is still a great demand for workers. The number of workers increased by about 400 in the last year and since job reservation ended there has been a marked increase in blacks joining the industry. There were 107 unemployed in July 1958.

Motor vehicles have increased since last year both the retail and wholesale sales have recovered from the fuel crisis and have shown an appreciable growth compared with last year. In fact each sector at the motor vehicle market has shown more stability and even an upswing in sales. There were 70 unemployed.

Footwear the position has continued to improve and most factories are working to full capacity. There is still a demand for trained workers in various capacities. There were 264 (111) unemployed.

NN 110580 (189)
Proud record of service

THE giant Stewarts & Lloyds Group, with turnover of more than R300-million a year, originally started servicing industry in Natal at the turn of the century.

From the original office in Smith Street established in 1902, the company relocated to Durban Wharf in 1930, which grew to be the Durban branch of today.

The Trading Division, with its 31 outlets in South Africa, operates in Natal as Stewarts & Lloyds Trading (Pty) Ltd and Dalcolms Steel (Pty) Ltd.

Stewarts & Lloyds Trading (Pty) Ltd in Natal has a regional head office in Durban with sales branches in Durban, Pietermaritzburg, Dundee and Empangeni.

Throughout the century Stewarts & Lloyds in Natal has contributed to the growth of the country by its service to the sugar, petro-chemical, ship building, civil engineering, mining, paper and agricultural fields, and also Provincial and Central Government projects.

EXPERTISE

This has been done by providing technical expertise, stockholding and service facilities in providing this comprehensive service, the branch handles about 8,000 line items through its specialist departments for tubes, valves and engineering products.

Products handled by tubes department includes SABS pipe and process piping, buttweld and flangeable fittings, WS fittings and flanges.

The engineering department actively promotes the sale of the famous Lister and Honda range of engines and lighting sets, as well as centrifugal pumps of all areas and description.

The transmission package, also handled by the engineering department, includes chain, sprockets, gearboxes, variators, vee pulleys and belts.

The branch is also the Rambird Sprinkler distributor in Durban. Many thousands of these units are in service.

Saunders diaphragm valves are among the valves sold and other famous names in the valve portfolio are Worcester ball valves, Smith forged stop valves, Kitz cast steel valves, Clayton control valves and Voss cast iron and cast steel waterworks valves.

Recent acquired Group

METEK (Natal) is part of the Metek Group, importers and distributors of refrigeration, air-conditioning equipment, which was recently acquired by Stewarts & Lloyds.

Metek will continue to operate with its existing management and staff under its own identity. Mr. Roy Jenkins, who built up the company, was appointed a director of the reconstituted board and will continue as general manager.

The new business will complement activities of Koolmaster Manufacturing and Conditioning, wholly Stewarts & Lloyds-owned subsidiaries.

STEWARTS & Lloyds of South Africa Ltd is the corporate name of a group of companies in the steel and engineering industries with an annual turnover of more than R300-million a year and with assets of more than R170-million.

The holding company is quoted on the Johannesburg Stock Exchange. The group operates throughout South Africa, South West Africa, Namibia, Zimbabwe and Malawi, and employs about 10,000 people.

Stewarts & Lloyds (South Africa) Limited came into being in 1902 as a subsidiary of the British company. It was incorporated in South Africa on August 25, 1927 as Stewarts & Lloyds of South Africa Ltd and a works was established at Vereeniging to manufacture steel tube.

Following the nationalisation of the steel industry in Britain in 1970, a new body came into being known as IPSA (International Pipe and Steel of South Africa Ltd) which acquired the majority of the ordinary shares of Stewarts & Lloyds of South Africa Ltd.

The group, through its manufacturing companies based mainly in the Pretoria/Witwatersrand/Vereeniging complex and its trading branches spread throughout Southern Africa, makes and/or markets a range of products required by the mining, agricultural, automotive and industrial markets and by the public sector.

The activities of the group are centred, to a large degree, around the steel and engineering industry - the main products being steel pipes, valves, pumps and fittings.

The product range includes welded and seamless steel tubes, rectangular hollow steel sections, tubular steel structures, pipe fittings and joints, stainless steel tubes, copper and brass components, mining machinery and ventilation equipment.

Group companies are:

- Trading: Stewarts & Lloyds Trading, Dalcolms Steel, Salwier Manufacturing: Vereeniging Division
- Tubemakers of South Africa (TOSA), welding tube, seamless tube, stainless steel tube, flanges and fittings, Tubewrights, Bundy Tubing, Pipe Couplings, Climax Windmills and Salister Diesels
- East Rand Division, Salwier, Valvermakers of South Africa (VOSA), Valvermakers of South Africa, Elmore Lock, Salwier, Wessels, Makoel Tube, Centurator and Metek
APPOINTMENT OF A DIRECTOR OF THE ARMAMENTS CORPORATION OF SOUTH AFRICA LIMITED

The State President has been in terms of subsections (2) and (4) of section 5 of the Armaments Development and Production Act, 1968 (Act 57 of 1968), as amended to re-appoint Johannes Bernardus Maree as a director of the Armaments Corporation of South Africa, Limited for a further period of three years. Mr Maree's present term of office expires on 30 September 1980.
group total of 7c (60.9c) a share On an unchanged cover, a 3c dividend seems likely, giving a 6.9% prospective yield at 37c. At this price Teleflex looks a sound income hold over the next two or three years, though there might be better near-term buying opportunities.  

TEDELEX (3)

Bright prospects  EM R1050

Activities: Manufactures and distributes TV sets, radio hi-fi, consumer electronics, lighting equipment and sewing machines. Owns 50% of Ellorne.

Chairman: B. Sloane joint managing director: J. Cohen

Capital structure: 12m ordinaries of 25c. 9.377 12.5% cum red. prefs of R1

Market capitalisation: R48.0m

Financial: Year to June 30 1980

Borrowings: long- and medium-term R34.2m, net short-term R33.2m

Debt-equity ratio: 131% Current ratio: 2.5 Group cash flow R18.8m

Share market: Price 77.5c (1979-80 high, 450c low 80c); trading volume last quarter 832,000 shares; yields 16.2% on earnings; 3.5% on dividend; Cover: 1:1 ratio. 6:2

Return on cap: 12.5% 14.0% 14.8% 18.1%

Turnover (Rm): 882,109 140.7 195.1%

Pre-tax profit (Rm): 88 141 138.9 19.1

Gross margin %: 12.2 14.1 13.0 12.8

Earnings (c): 503 439 391 60.9

Dividends (c): 18 13 13 20

Net asset value (c): 160 206 244 291

Adjusted from 18 months

The market’s faith in Teleflex in the year to end-June was not misplaced. Earnings advanced 56% to 60.9c and the dividend was raised to 20c (13c) per share. The stock increased 3c (33c) for a

TEDELEX EARNINGS

ATTRIBUTABLE PROFIT BY DIVISION 1979 1980

Electrical/electronics 34.7 48.0

Rental furniture 65.3 54.0

Total 100 100

The outlook for Teleflex’ traditional operations is good in view of the consumer boom in the late autumn of black areas and the pending introduction of a TV2 in 1982. Equally significant, Ellerne will benefit from the growth in black disposable income.

Last year, Teleflex revealed its turnover figure for the first time Total sales including Ellerne’s R104.9m (R100m) were R198.6m (R149.7m). Thus Teleflex’ traditional operations produced turnover growth of 47.1% to R195.2m (R146.7m) compared with Ellerne’s 32.6% gain. Pre-tax profit from non-furniture interests rose 79% to R13.1m (R2.4m) reflecting a considerable margin improvement, whereas Ellerne’s profitability was squeezed by higher operating costs.

The substantial improvement in non-furniture activities followed chairman P. Sloane’s forecast last year that the consumer boom would impact on profits. The result was that Ellerne’s impact on earnings was reduced slightly, and this year could see the electronic appliance side contribute more than 30% for the first time since the takeover of the furniture retailer in 1977. The Christmas bonus season should see retail sales rise strongly which will probably have a greater effect on Teleflex’ own activities. In addition, the group has expanded some of its consumer electronics range and the recently-introduced Commodore mini-computer is exceeding budgets. Another ball point is the change in TV licence requirements to one per household instead of one per set which should further stimulate the group’s TV manufacturing activities.

Financailly, Teleflex ended the year stronger and more liquid. A better balance was obtained in the group’s borrowings structure with long-term loans now comprising 15.9% (14.7%) of total indebtedness of R173.7m (R165.2m). Ellerne’s total borrowings were R26.2m (R23.8m) - 14.7% (26.9%) of the group total. The accounts also reveal improved stockturn of 1.51 (1.3) — and debtors control. Cash at end-June was R188.2m (R22.2m) - 56c (18c) a share of a 29c (24c) net worth.

On the basis of the FIM’s 15c earnings forecast for Ellerne (see earlier story) the furniture operations should contribute some 4c (3c) a share to group profits of which some 1c (8c) will be dividend income. It seems safe to assume Teleflex itself will grow at around 30% with an earnings contribution of 3c (28c) for a.
show an increase of 63.5%.
However export performance is expected
to be down on last year's R1 200m,
because of downturns in the economies of
trading partners, and the hardening of the
commercial rand which is diminishing
export earnings.

Shaw says the trend towards lease and
lease-back financing of buildings, machinery,
plant and equipment and motor vehicles is on the increase. During 1980 an
estimated R320m in lease and lease-backs
will be spent on land and buildings, R59m
on machinery, plant and equipment, and
R42m on motor vehicles.
Financing costs for new investment
programmes and the existing financing of
assets and working capital, he says, is
still high. The incidence of corporate
taxation and the financing of operations in a
period of high inflation still reflects high
gearing in many cases and the continuing
practice of off-balance sheet financing as a
counterbalance.

Shaw believes one of the factors contrib-
uting to the high spending rate must be the move towards more sophisticated
equipment by companies battling with the
skills shortage. Although more special-
ized equipment requires skilled in setting up,
once operational one skilled person could
supervise a number of machines. This
factor is, however, creating problems for
unskilled workers.

ENGINEERING

On the move

Projections for new capital investment in
the metal and engineering industries indi-
cate 1980 totals will reach R643m, a mas-
size 50.7% increase on 1979 figures.
In the basic metal industries—iron and
steel ferro-alloy, non-ferrous metals,
steel pipe and tube sectors and the steel,
iron and non-ferrous foundries—figures
are expected to show an investment of
R294m, 78.1% over 1979 levels. In the
metal fabricating and engineering indus-
tries, which include manufactured metal
products, machinery and automotive com-
ponents, projected improved investment
levels are expected to be 37.8% up to
R401m.
Doug Ellis, executive chairman of Dor-
vel, says the figures must be seen in
relation to those of the past two years,
when very little was spent due to reces-
sion and lack of confidence in the
economy.

Much of the expenditure is accounted
for in the expansion of the mining indus-
try and the building of new mines since the
rise in the gold price, and the enormous
investment by Escom in power genera-
tion as well as projects like the R150m
stainless steel mill at Southern Cross
Steel.

Outgoing Seifiso president, Ron Shaw,
who released the figures at the AGM this
week says inflation obviously plays a big
part in the increased figures. Machine tool
prices alone have been rising by about
16% a year, he says.
Shaw says machinery, plant and equip-
ment, the major component of new capital
investments, will show an expenditure of
R220m, up from R154m last year. And
investment in new buildings, including
construction activities, is expected to
this year. The figure is likely to drop even further in 1981, because Alusaf has to provide 8,000 t of metal for aluminium busbars (to conduct electric current) for the new smelter it has commissioned.

Van Vuuren says prices on the export market were buoyant during 1979 and early 1980, whereas the local market was depressed. But, by the end of last year, the company began running short of metal due to a tremendous increase in local demand. As the price situation also reversed, Alusaf stopped taking export orders.

The company is, however, still honouring existing contracts.

To cope with increased demand, Alusaf has embarked on a R230m programme to double production capacity. It is importing a moltenal smelter from Japan, which was no longer viable because it was run on oil-based energy. At Richards Bay, it will be using coal-based electricity.

At this stage, one smelter at Richards Bay is being prepared for the new smelting plant. The first portion of the plant, which will consist of two smelters, is expected to be commissioned early in 1982.

Van Vuuren believes there will be sufficient raw materials to supply the increased capacity. But he is not optimistic about medium-term potential for aluminium, as Australia and some South American countries will be bringing further smelters on stream by about 1984, which could lead to over-production.

Although capacity at present is sufficient for world demand, Van Vuuren says the situation would change if the US came out of its recession.

The local market could also change considerably. At present SA is one of the lowest consumers of aluminium, with 3,1 kg per capita usage, against America's 21 kg per capita.

**Aluminium**

**See-sawing demand**

Alusaf, Richards Bay producer of primary aluminium, has withdrawn temporarily from export markets because of a combination of low export prices and an upsurge in local demand.

Alusaf MD Danie van Vuuren says Alusaf, with a production capacity of 87 000 t/year, has exported only about 15 000 t.
Earnings thumped

Activities: Mechanical and electrical engineering, making and supplying capital equipment and spare parts for the mining, chemical and food industries.

Directors hold 52% of the equity.

Chairman: E L Bateman, managing director.

Capital structure: 2.6m ordinary shares of 40c, 22.8m 8% cum red prefs of R2.6m.

Market capitalisation: R16.6m.

Financial: Year to June 30, 1980.

- Borrowings: long- and medium-term, R1.2m.
- Net cash: R4.5m.
- Debt equity ratio: 8.1%.
- Current ratio: 1.2.
- Net cash flow: R4.4m.
- Capital commitments: R2.6m.

Share market: Price 640c (1979-80 high, 770c; low, 490c; trading co-ordinated by the JSE).

The combined group is shown to be financially stronger with a solvency ratio (shareholders' funds/ premium income) of around 0.2%, which is some 10 percentage points higher than for Unibic alone. The comparison is misleading, however, as the pro forma consolidated balance sheet includes investments at market value, whereas Unibic has traditionally shown these at cost.

Unibic is changing its financial year-end to December 31 to conform with its new parent. The company makes no forecast for the current six-month accounting period but, given the initial benefits of the merger plus normal growth in investment income, shareholders could perhaps anticipate a dividend of 15c or 16c — three-quarters of the amount they received for the previous full year.

Enhanced prospects are already reflected in the current share price of 365c which yields an historic 8.5% compared with an average of around 8% for other short-term insurers. But with a prospective yield approaching 9% the share still has income attractions.

Bryan Thompson
Seifsa looks to 1973-74 repeat

By HAROLD FRIDJHON

Positive trends in the metal and engineering industries are expected to continue through the current quarter and the production performances in most sectors this year are likely to match the high growth period from mid-1973 to mid-1974, according to the Seifsa report on business in the metal and engineering industries.

In August conditions stabilised on the much better levels attained during the second quarter. Orders and inquiries in the consumer-related sectors strengthened further.

Steel producers say that demand for flat products has been sustained and that there has been some strengthening in the demand for structural steel products.

In the first eight months of 1974 the output from steel mills was 4.3% higher than in the comparable period of last year. In spite of the current drop in exports, it is expected that the overall output for 1974 will top last year's 8,050,000 tons.

Ferroalloy sales, which are largely export-oriented, continue to be adversely affected by a depressed worldwide demand. Thus has necessitated a cutback in production.

The engineering sector continues to benefit from the expansionary phase in the economy and, in particular, from the increasing consumption of goods and services in the mining sector.

The heavy engineering industries are also benefiting from the increased activity in the mining and electricity-generating sectors, enhancing prospects for a satisfactory increase in workloads for the rest of the year.

Manufacturers of agricultural machinery and equipment say the upturn in trade is continuing. Automotive component manufacturers are benefiting from higher motor vehicle sales, but are experiencing competition in the replacement field from imported components.

In the electric machinery and electronic industries, orders for switchgear equipment and electric motors are reasonable, but the demand for transformers is still soft. An improvement is noted in the heavy electrical equipment section.

Foundries report satisfactory gains in steel and iron castings.

The Seifsa group of industries is concerned about shortages in certain categories of skilled and semi-skilled labour, the high rate of inflation, and the recession in important export markets.
SATV manufacturers, believes the television manufacturing industry will see continued growth. "The white market will remain a very important factor for the foreseeable future, because of the replacement market. And with the onset of Channel 2 and imminent electrification of the black urban areas, sales should see the steady growth within the black market."

DURABLES FN 24.1.80

Record year 1831

With money in their pockets, consumers aren't simply spending on the durables; they have dined themselves for the past four years — white goods, television sets, air conditioning, etc — they're also making sure that they buy in at the top of the range.

The manufacturers of Defy, GEC, and Hotpoint, with an estimated 70% of the white appliance market, have experienced a 100% increase in their top of the range, built-in units. The increase in unit sales of free-standing stoves is just under 30%. Sales of air conditioning units are up 60% on last year.

Estimated industry sales of white appliances for 1980 are 800,000 units (including baths and coal stoves) And guess who's industry earnings for those sales are R240m, 30% up on last year! The figure does not include the sale of small appliances.

The figures are calculated off what is considered a good base. And predictions are that white appliances will see further growth, in real terms, of between 5%-10% in 1981.

MD of Defy Industries, Mike Newby, believes the present level of confidence in the economy will see continued growth for the industry. And if the promised level of 150,000 black households supplied with electricity a year comes anywhere near being fulfilled, things look pretty exciting.

MD of Barlows Manufacturing, Robbie Williams, says the upsurge in demand was predicted, and manufacturers are therefore catering to demand. With a lead time of between six to eight months, decisions had to be taken early, he says.

However, he says, manufacturers are concerned about the flood of imported appliances arriving in SA. Particularly those from the troubled European manufacturer, Indesit Williams says the goods are competing on price only and with the uncertainty surrounding Indesit at present, back up could be questionable.

Indesit is apparently beset by liquidity and other problems, and is attempting to turn its vast stockpile into ready cash, not necessarily at a profitable rate.

Manufacturers of television sets, the other major consumer durable, have also seen tremendous sales growth. Predictions are that 250,000 units will be sold this year, up 100,000 from 1979. Again, last year was an acceptable year.

In the television market about 70,000 units are expected to be of the large, colour sets, which range in price from R750 to R1,000. The portable market will, however, take the lion's share with 100,000 units — ranging in price from about R200 to R300.

Although manufacturers of television sets were initially caught unaware, and were sitting with a backlog of orders earlier this year, a threefold increase in production capacity has been effected in some instances, and by year end back orders should be cleared.

Dave Mitchell, marketing director for
payouts, and company sources add that last year’s cut in cover is not necessarily indicative of a continuing trend.

The payout was increased from 20c to 25c, giving cover of 3.6 times (4), and retained earnings were a hefty R2.8m (R2.3m). With retentions of this magnitude, the group obviously has considerable scope for internal financing of its expansion and, indeed, is paying for its new piping plant — “a major investment” according to one source — out of its own pocket. The conservative image, therefore, also extends into the group’s debt position, and the debt equity ratio is particularly low at under 9% (2%). It appears, as well, that there are no plans to increase borrowings.

The group’s profit performance, at the same time, seems to reflect this low-profile position. Though turnover climbed 35% (11%) last year, continuing overcapacity in the industry, as well as a tax rate of just under 42% (36%), has kept after-tax earnings down to R3.6m (R3.1m) — an increase of only 10% Tax could be cut slightly this year as a result of capex allowances on the new plant, but this is unlikely to be too significant.

The group’s main operating areas, farming, mining, building and fencing, should reflect increased activity this year, and the board admits that the “encouraging” increase in sales has filtered into the current year. However, company sources insist, there have been “no fireworks,” though the problem of tight margins has been alleviated to some extent. One possible constraint on growth could, of course, arise from the virtually unchanged level of government and municipal expenditure for the current fiscal year.

The piping plant, incidentally, is still a few months away from commissioning because of delays caused by a shortage of parts. When it does come on stream next year it should make a useful contribution to profits.

At the interim stage, chairman Sam Green forecast that earnings in fiscal-1980 would equal the previous year’s. Admittedly, first-half growth in attributable earnings was only 12.5%, but Green must have had some better indication of the year’s targets by the time earnings were reported in March. Anyway, the market has discounted his pedestrian outlook to some extent, and the share, off its high at 67c after a steady 14-month climb, yields an historic 3.7%. At this level, it appears that the stock is fully priced, for a dividend increase of more than about 20% to, say, 30c this year would seem unlikely at the present stage.

Scott Han. W.
12 hurt in city blast

REUTERS

AT LEAST 12 workers were injured when an explosion occurred at a petrochemical plant in the outskirts of ...

...last night. The injured were taken to a hospital. The plant is a major petrochemical complex in the area.

The explosion happened about 3.30 p.m. The plant could not say what led to the blast, although they confirmed the company did mix gas in various processes.

Damage is estimated at thousands of dollars.
ATI/SOUTH ATLANTIC

More to come

Activities: Holding company for Anglovaal's industrial interests. Subsidiaries include Cons Glass (58%), Claude Neon (51%), National Bolts (64%), Steelmetals (72%) and South Atlantic (73%). The last-named holds 51% of T W Beckett, 62% of Globe Engineering and 43% of J & J ATI is 61%-owned by Anglo-Transvaal Consolidated.

Chairman: B. E. Hersov

Capital structure: 13,9m ordinary of 50c; 1m 5,5% cum prefs of R2; 1,4m 8% red cum prefs of R1 Market capitalisation R93,1m

Financial: Year to June 30 1980 Borrowings long- and medium-term, R10,1m; net short-term, R12,4m Debt equity ratio 27,6% Current ratio 1,7 Net cash flow R34,9m Capital commitments R39,2m

Share market. Price 670c (1979-80 high 745c, low 270c, trading volume last quarter, 213 000 shares) Yields 27,0% on earnings, 5,2% on dividend Cover 51 PE ratio 3,7

Return on cap % 16,6 18,6 22,3 26,7

Turnover (Rm) 441,6 437,7 484,7 663,5

Gross profit (Rm) 34,7 38,8 51,2 72,0

Gross margin % 7,8 9,1 10,4 11,0

Earnings (c) 68,0 85,6 120,2 180,0

Dividends (c) 19 20 24 34

Net asset value c 513 676 697 824

ATI's main subsidiaries outside of South Atlantic provided the group with most of its high-margin, high-profit benefits. Though chairman Basil Hersov says the profit improvement in fiscal 1980 was "fairly well spread" the best profit performers were Cons Glass, National Bolts, Steelmetals and Claude Neon.

Consolidated group sales rose 32% while attributable profit, excluding extraordinary items, was 48% higher. Most of this boost to margins came from non-South Atlantic interests, as South Atlantic's consolidated turnover was up by 21,2% but taxed profit rose only 17% to R13,9m.

The directors blame South Atlantic's unexciting growth on the poor performance of Cerebos Food and James Brown & Harmer. Cerebos was merged with Food Corporation during the year and higher-than-expected merger costs coupled with negligible immediate rationalisation benefits meant that budget was missed by a wide margin. JBI has been an albatross to the group for years, but the company has now been sold off to M & R's Elgin.

Had JBI been stripped out of Globe, earnings from this subsidiary would have increased by more than the 25% posted As it was, South Atlantic's strongest company was T W Beckett, which boosted profit 36% on an 18,3% turnover increase I & J did not come up to scratch, with only a 10,6% profit increase, half of its sales improvement, mainly because of costs, mostly fuel related.

To look, then, at what gave ATI its booster, it is useful to start at the breakdown of consolidated earnings. Engineering was up to 39% (34%), containers contributed 28% (27%), food 20% (27%) while "others" contributed 13% (12%).

Having already looked at South Atlantic's engineering earnings, it is evident that both National Bolts and Steelmetals lent much to pushing total earnings growth above the average.

In fact, National Bolts improved taxed profit by 80,1% on a 29,4% sales increase while Steelmetals' profit was 62,2% up on a turnover rise of 48,5%.

The marketing and contracting operations of Steelmetals were responsible for the improvement in profits while the plant hire addition recorded a loss but has, say the directors, been rectified and should contribute to profits in the current year.

Cons Glass, a direct beneficiary of any consumer upturn, enjoyed a 31,5% increase in sales while profit rose 43%.

The outlook for packaging products has encouraged the group to go ahead with a two-year R51m expansion project. A new factory is being built in Klipsanfontein.

The group's balance sheet remains strong, and the strengthening process throughout fiscal 1980 (debt equity was virtually unchanged at 27,6%, but long-term borrowings were tightened at the expense of short-term) leaves the group considerably undegreased. The exceptionally good return on capital -- 26,7% for a holding company is way above average -- points to some serious capex projections in the near-term.

Group cover is indicative of the individual company funding requirements but ATI's cover of the 34c dividend is only 1,6 (1,3). Subsidiaries only declare dividends once their results have been audited. So, the dividend declared by ATI itself is based on dividend receipts declared from profits earned by subsidiaries during fiscal 1979.

Hersov says he has "no hesitation in forecasting higher group profit for the current year, provided labour relations remain stable." The seemingly more attractive 7,1% forecast dividend yield on South Atlantic is partly a function of the time lag in dividend flow. The current yield on ATI is as close as one can get to a distilled example of the opinion that industrials may be fully valued but growth's prospects over the next year will still give today's buyer a real return on his money.

Ian McAl
Stewarts & Lloyds looks to even higher earnings

By Jean Moon

After an excellent year to concern, Stewarts & Lloyds is anticipating a satisfactory improvement in earnings for the current financial year.

The only black cloud on the horizon at the moment is plant and human resources limitations. As far as manpower is concerned Stewarts & Lloyds actively recruits experienced workers overseas and has a five-year investment in in-service training being expanded with extensions to the training centres in Johannesburg and Vereeniging.

For the year to September 1980 earnings rose from 31c a share to 32,1c a share and the dividend had been increased by 6c to 28c a share.

Turnover was 27 percent higher at R586m, and pre-tax profits 62 percent up to R10,6m.

This gave a percentage pre-tax profit against sales ratio of 5.4 percent against 4.2 percent in the previous year. The rise in the tax rate from 28.2 percent to 32.0 percent left after tax profits 48 percent higher at R1.4m.

While the LIFO method of stock valuation covered only steel stocks last year, for the 12 months under review this accounting practice had been adopted for all group stocks. If the old LIFO method had been applied to pre-tax profits the figure would have been R1.0m.

While Stewarts & Lloyds is a multi-product, multi-market group of companies, this is by far the largest single product group. Following the R15m modernisation programme in 1978 which made the welded tube plant the most modern of its kind in the world, expenditure of R25m for the installation of a new galvanising plant and ancillary equipment has been authorised for 1981/82.
AFRICAN CABLES

Expanded base?

Activities: Manufacturer of electric cables. Owns Alucab which has an aluminium conductor factory at Dundee, Natal. Vansvar UK cable companies own 60% of the equity.

Chairman: W N Randell

Capital structure: 23,4m ordinary shares of 25c. Market capitalisation R87,8m.

Financial: Year to 31/3/1989 Borrowings: long- and medium-term, R1,4m. Net profit R9,0m. Debt/equity ratio 2.6%. Current ratio 2.2. Net cash flow R5,7m. Capital commitments R6,3m.

Share market: Price 375c (1979-80 high, 390c, low, 275c), trading volume last quarter, 31,400 shares). Yields 8.3% on earnings, 5.9% on dividends. Cover 1.4. PE ratio 12.0.

Return on cap %: 15.5, 14.7, 15.9, 23.9
Turnover (Rm): 38.5, 44.4, 48.7, 75.1
Pre-tax profit (Rm): 8.6, 7.1, 8.3, 13.4
Gross margin %: 17.2, 16.3, 18.7, 18.2
Earnings (c): 19.0, 19.3, 20.6, 31.2
Dividends (c): 10.0, 12.0, 14.2, 22
Net asset value (c): 176.2, 192.3, 216.5, 238.0

* Adjusted for the four-way share split in December 1979

At first glance African Cables appears to be cutting a bit fine with a reduced dividend cover of 1.4 times (1.5) and a capex programme 100% up at R6.3m. The group’s balance sheet is exceptionally strong, however, and the year’s operations at the higher turnover and cash flow levels allowed debt equity to be reduced from 8.4% to 2.6%. The outstanding feature of the balance sheet at this stage is that the projected capex is almost exactly covered by one year’s cash flow but more significantly could be paid in cash and then still leave some R5m on call deposit.

Sales rose, last year, by 61% to R75.1m. But due to a higher tax rate of 45.5% (41.6%), and as there was only a modest improvement in the gross margin, attributable earnings were up 49.3%. The strong balance sheet and high level of liquidity (the acid test is 0.60), allowed dividends to be increased by 54.4% to 22c a share. Cover is thus shaved to 1.4, the lowest it has been in the last five years.

According to the directors, the higher level of sales was due to both higher costs and increased sales which, unfortunately were mainly in lower margin products. The increase in productivity was due to the higher sales volume and as severe competition in the industry kept margins down, the group was not able to derive the benefits it might have from utilising excess capacity.

How in fact the company is virtually being forced to start running not to keep walking as far as the electrical cable industry is concerned. For years a suitable diversification has been sought. No acceptable prospect has, as yet, developed despite the fact that there must have been plenty of candidates which could have boosted the group’s average return on capital to the end of fiscal 1989. From now on, however, African Cables need to invest its Capital in its traditional area of operation and with the projected increased demand from both public and private sectors, both the range of products and capacity of manufacturing facilities need to be expanded to keep market share.

On the balance sheet, the reduction in gearing was partly due to the revaluation of fixed assets. The surplus has been transferred to non-distributable reserves but the accumulated depreciation was still on the balance sheet. Instead this will now be transferred over to the income statement from non-distributable reserves. The effect of these moves is to decrease non-distributable reserves from R43.6m to R126.6m and to push distributable reserves up from R42.3m to R23.3m. With capital at only R5.9m the distributable portion of shareholders’ equity seems to be somewhat high. The expansion of business and any future gearing to

Ian Mood

diversity could thus require a broadening

Asset considerations and the tight control held by major shareholders are responsible for the high PE ratio of 12. The share, however, has sound long-term growth potential.
Expanding margins

Afrox’s results for the year to end-September indicate that the increased business activity evident at the half-way mark has been sustained. The upturn in the economy and the marketing of a wider range of products have continued to increase both turnover and profits, and even more important, to improve profit margins.

Trading profit rose by 28% to R29.6m (R23.1m) on turnover growth of only 17%, from R153.5m to R178.8m. As a result, last year’s gross margin was substantially higher level of borrowings following the 15.1%.

But this significant improvement was somewhat reduced by a higher interest bill — it more than doubled due to the reassessment of financial leases and a higher level of borrowing following the R10m debenture issue in May.

Nevertheless, the pre-tax profit-to-turnover ratio was healthier at 15.3% (14.4%). And due to tax allowances on the group’s heavy capex programme, a lower tax rate resulted in a 27% rise in after-tax profits to R17.8m.

This was before an extraordinary profit of R753,000 from the sale of the electronics division. Forty-nine percent of the shares were sold before the financial year end and the remaining 51% on October 1. Its results were thus not consolidated — if they had been, the turnover increase would have shown a 26% growth compared with 17%.

The sale of this division underlines the group’s policy of streamlining its current operations under the gases, welding and engineering umbrella. New MD Peter Joubert, who recently returned from a two-year stint at parent BOC (UK), has stressed that the integration of these divisions is one of his priorities for the current year.

Another priority is returning the engineering and mining supply company, Dowsen & Dobson, to more acceptable levels of profitability. It has been a disappointing performer in the current mining boom, and should certainly be reorganised to profit from the current construction upswing.

The third sphere of interest is the large expansion programme being undertaken by the group over the coming few years. By the end of 1980, about R22m will have been spent and the balance of the initial R50m will be invested by the end of 1981. A further R30m has been earmarked for new projects, as yet unspecified.

Even this kind of expenditure is not likely to affect the payment of dividends this year. The group’s debt capacity is obviously somewhat limited by the UK parent’s 60% holding. But despite these limits, the 1979 balance sheet showed a spare capacity of around R23m before bringing the debt/equity ratio up to around 40%.

And although dividend cover of around 2.15, has been considered somewhat vulnerable, this cover is after deductions of R2.8m on the historical-cost accounting basis. So real cover is unlikely to be increased.

On this basis, profit growth this year should be passed on to shareholders as it was last year. Total payout increased by 35% to 25c (21.5c) in line with a similar increase in earnings per share. At 50c, the share yield an historic 5.8%.

Source: Halve.
Consumer buying boosts Selissa

Confidence at the industrial and engineering front has increased, indicating a brighter outlook for the year ahead. This has been reflected in the impressive sales performance of Selissa, with a 20% increase in revenue compared to last year. The company has also invested in new technology and expansion, further boosting its market position.

In the agricultural sector, there has been a significant improvement in the yield of crops, thanks to the use of advanced farming techniques. This has led to increased production and improved productivity. The government is planning to allocate more funds to research and development in this sector to further enhance crop yields.

The electronics and electrical goods industry has seen a surge in demand, with a 15% increase in sales. This is attributed to the growing trend of home automation and energy-efficient appliances. The industry is expected to continue its growth in the coming years.

Overall, the economic outlook for the country is positive, with a steady rise in consumer confidence and business activity. This positive trend is expected to continue, leading to a strong economic recovery.
Labour scarcity worries Seifsa

JOHANNESBURG — In the third quarter of the year, reports to Seifsa indicated a further strengthening of the general confidence engendered in the metal and engineering industries. The Steel and Engineering Industries Federation of South Africa (Seifsa) says in its September newsletter that the continuing high rate of private consumption spending is providing further stimuli to Seifsa's consumer-related sectors and the automotive component manufacturers, the electrical appliance industry and the building industry supplies sector all report improved order intake and production levels in September.

Plus factors were also seen in the increasing activity in the large and heterogeneous general engineering sector, which continued to benefit from the current expansionary phase in the overall economy and from the increasing consumption of goods and services in the mining sector.

Despite the worldwide drop in steel consumption and its effects on South Africa's steel exports, steel mills' output for the first nine months of 1980 increased by three percent on the corresponding period a year ago.

However, Seifsa says concern continues to be expressed by the Seifsa group over the worsening shortages of professional, technical, skilled and semi-skilled labour. This was now imposing some restraint on production performance and tending to lengthen delivery periods.
Meat price soared 12 percent last month

Consumer Reporter

The consumer price index shows that the average price of meat went up by 17.2 percent during the past month and by 37.8 percent over the past year.

This compares with a 5.9 percent increase in the average price of food between August and September and a 20 percent increase in the price of food in the year ending September.

The consumer price index of the Housewives' League newsletter says that the marketing scheme operated by the Meat Control Board has not served its purpose of ensuring a regular supply through the provision of a fair guaranteed price to the farmer.

SHORTAGE

This had resulted in a shortage and high prices.

As a consumer organisation, surely it is our responsibility not only to resist the excessively high prices of an important basic food but to question the reasons for them, the newsletter says.

Welcoming the setting up of a commission of inquiry into the meat industry, it added that two aspects needing attention were the Meat Board, with its direct involvement in the industry, and the position of producers who were also agents, wholesalers, and retailers.

The newsletter points out that the investigation by the commission is not an attempt to deprive the farmer of a fair price.

FAIR PROFIT

"It is the function of the floor price — the minimum guaranteed price which is set by the Meat Board — to ensure that the cost of production plus a fair profit is paid to the farmer marketing in the controlled areas.

The full responsibility must fall on the Meat Board and not the consumer if the floor price is not correct.

We would point out that increased prices granted in the controlled areas in no way benefit the farmers who are unable to obtain permits to sell in them and are therefore forced to sell at a lower price in uncontrolled areas."

SUPPORT PRICE

The newsletter points out that the SA Federation of Meat Traders, at their recent annual congress in East London, were unanimous in their opposition to the "support price" and wished it to be abolished immediately.

The support price system, introduced in Cape Town in September, is in addition to the floor price. Its object is to prevent prices at the abattoir auctions from falling too suddenly.

Under the support price system, auction prices cannot drop more than six percent below the average price for the previous week.

Butchers claim it is inflationary because it interferes with the usual pattern of a drop in prices in the middle of the month when demand is normally low.
Leyland gets R40m Atlantis contract

Leyland South Africa has been awarded the Atlantis Diesel Engine (ADE) contract worth R40m to manufacture and supply flywheel and ring gear assemblies, writes Geoff Shuttleworth.

This is the largest component contract yet placed by ADE.

Leyland will have to spend R4m to meet the requirements for the contract, and this will involve the purchase and installation of 21 of the world's most sophisticated computer-controlled machine tools.

These 160 tons of tools are being supplied by companies in the U.S., the UK, Germany and South Africa. Delivery of the tools will begin in June 1981 and initial production will start in November the same year.

In terms of the contract, Leyland will supply ADE with more than 200,000 flywheels and ring gear assemblies for use as both original equipment and as replacement parts for the full range of ADE engines.

Leyland's expansion programme to accommodate the new machine tools for the ADE contract will involve the provision of 1400 square meters of floor space alongside the existing machine shop at the Blackheath factory.

LABOUR

To bring the new production facilities on stream, Leyland will require an additional labour force of nearly 100 skilled and semi-skilled workers.

By the beginning of 1982, when the new machine plant is in full production, more than 9000 tons of locally supplied cast iron and 1600 tons of locally made steel will be machined.

Leyland's existing machining facilities already comprise over 450 tools which are used for the machining of locally cast and forged cylinder blocks, flywheels, brake drums, crankshafts, camshafts and exhaust manifolds; for the existing range of Leyland's four- and six-cylinder engines.

The machine tools involved in the ADE project will include the most sophisticated computer numerically controlled units incorporating the latest cutting tool technology.

Leyland's in-house computer installation, as well as the computer facilities of the various machine tool suppliers, will be used to programme the new machines.

Tooling, jigs and fixtures required for the contract will be designed by Leyland Engineers and manufactured at the Blackheath factory. The production programme will be prepared by Leyland Engineers to ADE specifications.

The signing of the financial arrangements for the ADE project involving some R10m will be signed this afternoon.

In April this year it was announced that Bankorp, with Trust Bank as the leading bank, had landed the deal.

The deal is a tripartite one involving the IDC, ADE and the Bankorp consortium.

A Press conference will follow the signing, but peculiarly, no details of the agreement will be disclosed at the Press conference.
Metbox out of the cold

By HOWARD PREECE
Financial Editor

METAL Box, the packaging group, has joined the impressive list of companies which have been doling up—pushing up net profits and earnings by more than 100%.

Taxed attributable profit rocketed up to R4 116 000 in the six months to September 30 from R4 531 000 in the first half of the previous year.

The interim dividend has been raised from 10c to 15c out of earnings up by 122% from 14,1c to 31,3c share.

A cautionary comment comes from the directors who say: “The large percentage increases in earnings and dividends in the first six months are partially attributable to the relatively depressed results for the first six months of the previous year.

“This was due to the losses incurred at Walvis Bay and machinery division during those six months.

“While your directors expect the results of the year to exceed those for the previous year by a comfortable margin, the percentage increases in profits and dividends in the second six months are unlikely to be as great as they were in the first six months.”

Even with that qualification, Metal Box has done extremely well to boost pre-tax profit by 109% from R6 200 000 to R12 986 000 on turnover up by only 27% from R122-million to R155-million.

The directors say: “The prevailing buoyant economic conditions in South Africa are reflected in the significantly higher sales of the group in the first six months of the financial year.

“All sectors of the group’s business have contributed to the upswing in sales and resulting higher profits.”

COMMENT: Metal Box of Britain, Europe’s biggest packaging group, owns 55% of the South African company.

It is suffering at present, along with most of British industry, and recently had to shut three UK factories, so it will certainly welcome the bigger contribution from its SA interest.

However, too much should not be expected.

The directors say the final dividend will not be less than 24c, which is barely higher than the previous 23c, but they say the 50% rise in the interim dividend is intended to reduce the disparity between payments.

This means that the minimum forecast is for the total dividend to rise from 36c to 36c.

That, however, could well prove conservative.

At 55c the share price is on a minimum prospective dividend yield of 6.5%. That looks fair, depending on the general market trend.
SOUTH AFRICAN DEFENCE FORCE

No R 2441 28 November 1980

AMENDMENT OF REGULATIONS MADE UNDER THE ARMAMENTS DEVELOPMENT AND PRODUCTION ACT, 1968

The State President has amended the regulations made by Government Notice R 1977 of 26 October 1973 under section 9 of the Armaments Development and Production Act, 1968 (Act 57 of 1968), as follows:

[Redacted]

SUID-AFRIKAANSE WEERMAG

No R 2441 28 November 1980

WYSIGING VAN REGULASIES UITGEVAARDIG Kragte van die WET OP KRYGSTEMPENTIKELING EN VERVAARDIGING, 1968

Die Staatspresident het die regulasies kragte van die Wet op Krygstempentikeling en -vervaardiging, 1968 (Wet 57 van 1968) uitgevaardig deur Gouwermentskragtensgewing R 1977 op 26 Oktober 1973, as volg gewysig:

[Redacted]
1 Regulation 1 is amended by—

(a) the insertion after the definition of "Act" of the following definitions:

"Black" means a person who is a Black within the meaning of the Population Registration Act, 1950 (Act 40 of 1950).

"Chief Executive Officer" means the person responsible to the board of directors of the corporation, instituted by section 5 of the Act for the management and control of the corporation.

(b) deleting the definition of "Bantu",

(c) substituting the following for the definition of "coloured person":

"coloured person" means a person who is not a White person or a Black",

(d) deleting the definition of "non-technical personnel",

(e) deleting the definition of "supervisory personnel",

(f) deleting the definition of "technical personnel",

2 The following is substituted for regulation 2:

"Categories of employees"

2 For the purposes of section 8A (1) (a) of the Act, the categories of employees employed by the corporation or a subsidiary company shall be as follows:

(a) White personnel,

(b) Coloured personnel,

(c) Black personnel

Provided that personnel in management grades as determined from time to time by the Chief Executive Officer shall not be considered members of any of the above-mentioned categories.

3 Regulation 3 is amended by substituting the following for paragraph (2) thereof:

"(2) Every application shall be typed and shall contain

(a) the name of the proposed employees' association,

(b) the category of employees that it purports to represent,

(c) the full names of all the members of the management committee

(d) the name of the corporation or the subsidiary company as the case may be, by whom each member of the proposed employees' association is employed."

4 The term "Chief Executive Officer" is substituted for "General Manager" where the latter occurs in the Regulations.

DEPARTMENT OF TRANSPORT
No R 2422 28 November 1980
AMENDMENTS TO THE LIFE-SAVING EQUIPMENT REGULATIONS 1968

The Minister of Transport Affairs has, in terms of section 356 of the Merchant Shipping Act, 1951 (Act 57 of 1951) made the regulations in the Schedule hereto.

DEPARTEMENT VAN VEROEER
No R 2172 28 November 1980
WYSIGING VAN DIE REGULAMINIS VIR VEE FYND IN DIE RIODINGSBEHANDELING, 1968

Die Minister van Vervoerewe het die kragte van artikel 356 van die Handel kempwaart, 1951 (Wet 57 van 1951), die regulasies in die Bylae herby uitgevaardig.
800 on strike refuse to quit factory

By STEVEN THEDSMAN
Labour Reporter

ABOUT 800 workers at the Raleigh Cycle plant at Springs have downs tools in protest against the dismissal of two of their colleagues.

Late yesterday the Engineers and Allied Workers' Union said the workers had been fired but were refusing to leave the premises because they still regarded themselves as employees.

The union's general secretary, Mr Calvin Nkabinde, said yesterday that he had offered to negotiate but that management had not taken up his offer.

He said management appeared to be attempting to resolve the dispute by holding meetings with officials of either the Department of Manpower Utilisation or the industry's industrial council.

Company comment could not be obtained yesterday.

According to Mr Nkabinde the stoppage was sparked on Thursday by the dismissal of two workers for fighting.

Yesterday Raleigh told workers that those who wished to work could, but that those who refused should leave.

Mr Nkabinde said workers said that they wanted to work but that they would not until the two were reinstated. They refused to leave because they did not regard themselves as dismissed.
Training manual

available

Mercury Correspondent

JOHANNESBURG—A unique 300-volume compendium of training manuals for engineering workers, drawn up by the Engineering Industry Training Board (EITB) of Britain, has become available to South African engineering firms wishing to upgrade the skills of their workers.

The manuals are clearly illustrated and simply phrased, says the director of the EITB, Mr Joe Moon, and this made them ideal for the training and upgrading of black operators in South Africa.

The books cover all branches of engineering and take trainees, on a specially designed modular basis, from an extremely basic school-leaving level to craftsman and finally to the more advanced technician's level. They lay heavy emphasis on safety.

According to Mr Moon, these manuals transformed engineering training in the UK and enabled the apprenticeship system to be scrapped.

The EITB, which designed and produced the manuals, was set up under statute by the British Government, educationists and employers and trades unions in the engineering industry, still Britain's biggest industry.

Its manuals, produced by a staff of 80, including 40 professional engineers, have been sold in 30 countries, including countries as advanced in engineering as West Germany and the US.

Sole distributor of the manuals in South Africa is BD Consulting of Johannesburg, who have a full-time expert to help companies to design tailor-made training programmes and select the appropriate books.
White machine workers have gone on strike at Pellow and Co. in Selby, Johannesburg.

A spokesman for the 13 striking workers said this morning that they had had down their tools yesterday to protest at "being forced to teach blacks to take over from us."

The strikers, he said, decided to stop work when management "would not listen to our grievances."

...
The unregistered Engineering and Allied Workers Union is to seek an urgent court order requiring the reinstatement of 800 workers dismissed from Raleigh Cycles in Springs last week.

The workers were sacked on Friday following a dispute over the alleged summary dismissal of two colleagues for fighting on the job.
Slowdown seen in food, clothing, wine production

THREE key manufacturing industries in the Western Cape — food, clothing and wine — are showing signs of slowing down after a year of one of the best growth performances in the country’s economic history.

This is one of the conclusions of Trends, the quarterly statistical analysis by the Stellenbosch Bureau for Economic Research.

In consumer goods manufacture, a disappointing trend is apparent in food production, says Mr Willem Roets, compiler of Trends.

Clothing production is slackening off at a record high level, while liquor production in growth terms is definitely slowing down.

**FINANCE**

Metal products are recording their best growth performance, textiles are faltering slightly, but machinery production has shown no growth this year.

Clothing and textiles are probably encountering problems in expansion on the export markets, partly due to recessionary conditions overseas and worsening terms of trade for overseas buyers as a result of the increasing strength of the rand.

Food experts, particularly canned fruit and vegetables, were hit by the appreciation of the rand and increasing competition from South American countries.

*Trends in liquor consumption are gradually being influenced by changing social precepts associated with improving standards of living of the lower and middle income groups.

These changes seem to favour beer in preference to both wine and brandy.

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1970's people from black sports, under the homeland consolodation and settlement. Removals of labour tenants and squatters and in trust areas, those with less have received cash compensation (12 hectares) have been entitled to a similar area of land been exploited — Africans owning at least 20 morgen, taken place. Badly situated, African owned land has this act is also the act under which, homeland consolodation, virtual farmers to reduce the size of their labour force system and have also made determinations regarding land these have superseded the abolition of the labour tenant under the act, labour control boards have been appointed.
Union delegates will probe SA's labour policies

By Drew Forrest

A 12-man team representing the world's largest trade union federation arrives in South Africa this week on a mission with far-reaching implications for the local labour movement and the country as a whole.

German, Swedish, British and American delegates of the International Metal Federation, whose affiliates represent about 13 million workers worldwide, will spend eight days probing labour policies and practices in South Africa.

From the beginning of next week they will test worker, management and trade union opinion in Johannesburg and Port Elizabeth on a wide range of issues, among them the State's new labour deals, according to union sources.

An interview with the Minister of Manpower Utilisation, Mr. Fanie Botha, has also been arranged, sources say.

The delegation's report, which will be submitted to the IMF central committee at its next triannual meeting in May next year, could have a crucial impact on South Africa's economic and labour future.

According to sources, an unfavourable report could lead to a number of cuts in the IMF's financial and technical assistance to the country.
The Armscor giant

Last month marked the third anniversary of the US military armament industry in SA. The SA Defense Force (SADF) is now better equipped than ever, before Armscor emerged some 14 years ago.

Armscor's support to the SADF has grown from 3% in 1969 to 14% in 1983. This year it will spend R1.5 billion on arms which 50% will come from SA.

The embryo Armscor armament industry has come a long way. The first R1 million order was in April 1969 and it peaked at R1.4 billion in 1983.

Armscor currently employs 25,000 people and controls eight manufacturing subsidiaries.

Armscor's most dramatic move is the integration of its 80 local contractors and subcontractors in the private sector. This move is to buy from existing companies which already have the manufacturing facilities but it has had to set up its own companies where these facilities did not exist.

Segregation and integration

Armscor now employs 25,000 and controls eight manufacturing subsidiaries. Some 45% of its staff are black, the company aims to have equal pay and advancement opportunities. Although many of the employees are black, the company has integrated its operations.

Armscor ships its goods to over 140 countries.

Armscor's objective is to stay ahead of the world in armament manufacturing. The company has invested heavily in research and development.

Armscor's most significant equipment is the SAAB 37 Viggen, which has been produced in SA.

Armscor has also invested in microelectronics.

The company's research and development has been in microelectronics.

Armscor's contracts for communications equipment include a system for tracking satellites, radar and microcomputers.

Armscor has established itself as a major producer of microelectronics, particularly in SA.

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the country's economy.

There is little change in Otis Elevator's profit for the year to November when compared to the previous year. Pre-tax income rose a measure of 122,000 million, and a reduction in the tax rate from 40.5% to 20% resulted in a final dividend of 20c having been declared giving an unchanged total distribution of 80c a share.

Jean Moon

Another use of the "library" is as a tool for the expression of ideas. It is often used in the form of "theatrical" performances to express ideas, thoughts, and emotions through music, dance, and drama. The library is also used as a place for recreation and relaxation, providing a space for quiet contemplation and intellectual pursuits.

The Otis Elevator Company's financial results for the year to November 1930 show a reduction in the tax rate from 40.5% to 20%, resulting in a final dividend of 20c having been declared giving an unchanged total distribution of 80c a share.

Jean Moon
Amicable merger

By Jean Moon

The Reunert and Lens-Barlow Rand link-up has been perhaps one of the most amicable, and mutually beneficial mergers for some time.

The Reunert shareholders approved the necessary resolutions to enable it to proceed with:

- Constituting the Barlow Rand Limited sub-group of companies as subsidiaries of Reunert and Lens,
- Issuing 3.75m Reunert ordinary shares to Barlows,
- Effecting the capital redemption of 157c to shareholders in Reunert.

Shareholders will receive their capital redemption cheques just after Christmas. The registration books will be closed from December 12 to 19 to determine which shareholders are eligible for the redemption.
High hopes for surge in civil engineering

By Frank Jeans

While activity in the civil engineering industry has not matched the boom conditions of the building industry, there are high hopes that 1981 will see a big surge as a result of the expansion of infrastructure in industry.

With current work on hand, as well as a steady turnover level during 1980, contractors generally are optimistic about future prospects.

And one strong indicator of the sustained improvement throughout the construction industry in South Africa is the employment position.

Civil engineering work force over the past year rose by about 15 percent and now stands at a total of 110,000 employees which collectively earned R250-million in 1980.

Reporting on the past year and prospects for the new year, the South African Federation of Civil Engineers says that while output was still below the peak recorded in 1975-76, the overall level of activity is satisfactory to good.

Turnover during the third quarter of the year was R450-million, and although, in view of the start of the close-down this month, output in the final quarter is likely to fall back.

However, the industry's total turnover for 1980 is expected to be about R1,700-million compared with about R1,350-million in 1979.

"Much of this increase," says Safec, "is due to cost inflation, and in real terms, output in 1980 has improved by about 15 percent.

A healthy sign of the upturn this year has been the rise in the number of small and medium-size jobs, for instance, in the field of township development, which have come out to tender and which are of particular interest to the smaller contractor.

But it is in the Transvaal that the focal point of strong activity is being experienced, with just over half of all civil engineering construction in the country being undertaken in the province.

Future year

In place of the course or module called Business Specialisation, a course in Marketing Specialised Project Management (4) Numerical analysis and computation is the assurance for applied business studies. Which sees out the required curriculum.

These proposed changes are shown in the Special Field curriculum.

In special fields the choice of Marketing or Finance would be of value to students interested in commerce, but the course in Business Specialisation is intended for students interested in business.

In order to accommodate the proposed changes, a compulsory course in place of the former Science I, which would now be given in third year, will be optional in fourth year.

In the fourth year a course in Business Specialisation is included as a compulsory course.
'Acute' shortage of black engineers

Chief Reporter

STATISTICS reflecting the "pitifully small" proportion of black and coloured civil engineers in South Africa have been highlighted by a Cape Town member of the SA Institution of Civil Engineers, Mr Kerien Wall, who has called for the removal of all barriers to training in the engineering and allied fields.

The Minister of Manpower Utilization, Mr S P Botha, this week drew attention to the acute shortage of engineers generally and particularly to the shortage of black and coloured engineers.

Mr Wall, who is chief engineer (planning) in the Cape Town City Engineer's Department, says in a paper published in the official journal of the SAICE:

Reverse discrimination required

"Increased trained participation by coloured persons — and Asian and black persons for that matter — in technical aspects of national development is essential to the long-term prosperity and stability of the national economy.

"An increased number of coloured graduates in engineering and other construction-related disciplines in particular is required.

"There are many statistical indicators of the lack of trained coloureds. For example, over the past 10 years only 0.7 percent of civil engineering graduates of Southern African universities were coloured."

Mr Wall says the removal of negative legislative restrictions, where they exist, is not enough to rectify the situation.

"Positive forms of support, to the extent of reverse discrimination, are required. These should take the following forms:

- Financial support by employers and other interested bodies.
- Removal of the barriers inherent in the educational system.
- Measures to increase the knowledge among coloured people of an engineering career and to increase the incentive to them to choose this career.

Motivate the authorities

"The recommendations include the need to motivate all the enabling authorities, particularly the central government. The professional institutions are well placed to initiate these moves."

Mr Wall points out in his paper that six South African universities offer complete courses in civil engineering. Two of these — Pretoria and Stellenbosch — do not admit students who are not white.

Statistics taken over the past 11 years for the other four universities — Cape Town, Durban-Westville, Natal and Witwatersrand — show, he says, that the relative proportions of the races among students who graduated in civil engineering were:

White, 98.5 percent; coloured, 0.7 percent; Asian, 0.7 percent and black 0.1 percent.

"The planning profession provides similar statistics. Of 96 recipients of the master's degree in planning from the University of Cape Town between 1968 and 1978, only one — a coloured — was not white."

"
TABLE 8: NATIONAL ACCOUNTS OF THE HOMELANDS, 1960/71, 1970/71

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP (R)</th>
<th>Employment (persons)</th>
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<td>1960</td>
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<tr>
<td>1969</td>
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<td>13,630</td>
</tr>
</tbody>
</table>

In the early 1960s, the economic growth was mainly driven by an increase in agricultural productivity and a decrease in rural-urban migration.

In 1960, the GDP was R109,100, and the employment was 8,811 persons. By 1968, the GDP had increased to R181,892, and the employment had increased to 13,089 persons. The increase in GDP was due to an increase in agricultural production and a decrease in rural-urban migration.

The employment increased at a faster rate than the GDP, indicating that the economy was becoming more urbanized.

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LONG-SIMMERING differences between South African trade unions in the metal industry reached boiling point this week when black unionists demanded the expulsion of certain predominantly white unions from membership of the 40-year-old strong Geneva-based International Metal workers Federation.

The demand was made by a nine-man IMF delegation who visited South Africa this week specifically to probe the effects and political consequences of the new Labour dispensation, and who flew home today after urging trade unions to resolve their differences and to merge in order to make a "meaningful contribution to a whole South African debate.

The delegation also called on employers to work with trade unions to improve the social climate in South Africa and to encourage the recently established Parliamentary Movers with recommendations of the Venice Commission which the IMF is reported to "encourage absolutely."

It was in meetings with the IMF's 11 South African affiliate unions, consisting of about 85,000 members, that unions belonging to the predominantly-white Federation of South African Trade Unions voiced irreconcilable differences with unions in the newly-white and coloured Confederation of Metal and Building Unions.

According to a union official who does not wish to be named, the main resistance against some of the IMF's South African affiliates is that they are racist because they have formalized parallel unions for members of other races instead of integrating, or that they are registered only as black unions.

"The IMF policy is one of non-racialism and equal opportunities for all workers in our opinion these unions are not toeing the line."

"We have tried in vain for years to establish some basis of cooperation with these unions which are not black and cannot ever cooperate with black unions that are no better than black unions."

"The coloureds are eyeing for well-paid, privileged workers who have never been in conflict with management, and black unions are trying to climb the shop floor, always in confrontation situations with management, fighting for the rights of black workers."

"We told the IMF delegation this week that we can't be affiliated to an organization which also has racist unions as affiliates. If they are not expelled, our membership will have to take a decision whether we want to continue our affiliation with the IMF." The approach for comment, spokesman for the delegation Werner Thomann said "We are here to look into the effects of the new Labour dispensation, and particularly the organizational and political consequences.

"Members of the delegation have agreed that all our opinions, assessments and conclusions we have to formulate must be grounded in facts, and that whatever our decision we will not comment on anything resulting from the delegation."

"Unity"

But Ben Nicholson, general secretary of the South African Electrical Workers Association and director of the newly-formed Federation of South African Electrical Trade Unions of South Africa - consisting of a white, coloured and black union - told the Sunday Tribune this week:

"The basis of the delegation was that we should find a way that would provide a way out of the impasse.

"Although the delegation believes unions must integrate, and although there were different factions within the delegation, members of the federation of union of different races as a step in the right direction.

"They have also recognized there was a need for one union for separate unions, and some have expressed understanding of why parallel unions were started."

"He predicted the delegation would have difficulties in writing a report on the visit that would find agreement with all shades of opinion within the delegation.

"They did however agree there should be a merger of trade unions with similar interests and in the general context, a merger of all unions."

"They believe it is in the interest of workers in general and the country as a whole that there should be as limited a number of trade unions as possible."

Tubby Faure, national chairman of the all-white Engineering Union of South Africa, is reported to be considering the accusation of racism.

"We have never turned our back on any trade union which needs help irrespective of its colour."

"I am not prepared to be dictated to and I don't like dictators to dictate to me of not doing what I consider to be correct."

"We are putting out feelers to discover how members feel"
New handling contracts

By Andrew McNulty

THE UK-based bulk mechanical handling specialist, Strachan & Heannah, which established a South African operation in July last year, has been awarded new contracts from Elocom and IQC worth R15-million.

The group has been represented locally for about 30 years and has supplied materials-handling equipment for the Richards Bay coal terminal, Saldanha ore terminal and port facilities at Durban and Richards Bay.

John Kuzmanich, general manager, says these contracts have raised turnover since inception of the local company to more than R5-million.

"We supplied the bulk of the coal unloaders for Richards Bay phase 2. Turnover will rise substantially if our tenders for phase 3 are successful."
Highveld Steel to expand

By Vera Baljekova

A R110-million plan has been approved by Highveld Steel to expand its iron-making capacity at the corporation’s Witsbank works.

The plan includes the building of the first furnace in a second iron plant and three pre-reduction kilns, as well as the necessary raw materials handling and storage facilities. Minor works will be undertaken at Mopoachs mine.

The predicted commissioning of the furnace and kilns in 1983 will take steel capacity from the present 900 000 tons a year to 1,1-million tons, creating a further 400 jobs.
Cut Steel’s R16-m expansion

By John Spira

CUT Steel & Metal Co, a member of the Lensung Group, is in the throes of a R16-million expansion and modernisation programme.

Between 1978 and 1981, the company will have spent nearly R15-million on new plant and equipment and R4-million on property and factory development.

Once the programme is completed, the company will be in a position to supply an extensive range of industrial fasteners, high-tensile and precision bolts and nuts, building fasteners and washers.

Managing director Dennis Crutchley tells Business Times that the R16-million programme will consolidate the position of Cut Steel & Metal in the fastener field.

About 2 500 tons of steel a month is converted at the company’s Rustenburg, Boksburg and Wadeville factories. Now, a 10ha site in Wadeville has been acquired to allow for further expansion.
‘Plasma’ process could double SA iron exports

By Andrew McNulty

Times: "There is nothing on the go at the moment and nobody has brought any firm proposals to us recently.”

However, it is known that at least nine companies have investigated a possible major project in recent months.

Four have prepared detailed feasibility plans.

Exploitation of the dumps would require an initial 250 000-tons-a-year plant producing crude steel with a capital cost of about R400-million.

Some are considering a plant of more than a million tons, costing at least R1 000-million.

A highly authoritative source believes that this could be one of South Africa’s next big minerals ventures of the 1980s, and is hopeful that a decision will be taken during 1981.

Iron in the form of magnetite contained in Palabora’s 120-million tons of dump material could be recovered at a grade of about 66% without difficulty.

As the material is already on the surface mining costs would be nil.

Titanium would have to be removed but the plasma technique would solve this.

A Minerals Bureau spokesman says “There is no doubt that this is a viable project. The big question is whether the market will justify any venture.”

Alastair MacMillan, chairman of PMG, told Business Times:

"Secondly, the dumps would have to be shown to have an advantage over other iron-ore sources in South Africa."

Dr. Nick Barbier of the National Institute of Metallurgy, says the plasma process, which uses gases at intense temperatures and does not require cooling coal in steelmaking, will cut capital costs, of a conventional process by 30% and energy costs by 20%.

A MAJOR technological advance has raised hopes of a massive lift of as much as 100% in South Africa’s iron exports — already earning the country about R200-million annually.

The additional earnings could top R6-million by the mid-1980s — and far more later — if the increased exports programme is combined with beneficiation of the iron ore into ingots before shipment.

The new metallurgical extraction technology, based on the so-called plasma process, could also be applied to the extraction of other metals like platinum, in which it would similarly greatly reduce capital and operating costs.

"Plasma" is already being used in a large-scale, 60 000-ton-a-year plant in Sweden, only one step away from a truly commercial operation.

It is also to be used in pilot operations by South Africa’s National Institute of Metallurgy, working in close association with local and overseas mining and metal interests.

The most obvious candidates for exploitation of the new process on a commercial scale in SA include the 120-million-ton dumps at Palabora copper mine in the Eastern Transvaal, plus some of Iacor’s vast iron-ore deposits.

Palabora (PSC) terminated a 10-year contract in 1978 to export a million tons a year of magnetite to Japan because of rising freight costs and falling market demand that had eroded profitability.

Alistair MacMillan, chairman of PMG, told Business Times: "There is nothing on the go at the moment and nobody has brought any firm proposals to us recently.”

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Quincor takeover of Hender in air

Shareholders in Quincor (formerly Empiral and not a cash shell) will be asked to agree to the takeover of Hendler, makers of patios, galvanised products, stainless steel and office furniture, writes Joan Moon.

Quincor currently has assets amounting to some R1.5m and the deal will cost it R1m. This will be financed by the issue of 1.4m Quincor ordinary shares at 50c each and a cash payment of R1m. The cash will come from existing resources, the private placement of new warrant rights, and a rights offer which will raise R8.7m.

In the rights offer ordinary shareholders will be offered 83m shares at the ratio of two for one or 10c dividend convertible cumulative preference shares of 50c each, or a combination of the two. The rights offer is to be underwritten by Central.
Output of ferro-alloys by South African producers fell 2.6 percent in the 10-month period to October, compared with the same period last year.

The Steel and Engineering Industries Federation said in its latest newsletter that steel mills' output for the same period showed an increase of 2.2 percent.

Private sector foundry output showed a marginal improvement of 0.3 percent for steel castings, gains of 11.1 percent for iron castings and an increase of 50.6 percent for non-ferrous castings.
Quincor pays R18m for Hendlers

BY GAIL PEMBERTON

QUINCOR, with assets of R1 000 000, has bought Hendlers Metal Industries for R18 million.

Hendlers will become a wholly owned subsidiary of Quincor. The deal has been backdated to May 25, 1980.

Formerly Empiral, the small cash shell Quincor, owned by Mr. Hynie Meyerson, has finally made a major investment. Quincor is expected to earn about R4 million for the year to May 1981, equivalent to 31.7c a share.

Hendlers was listed on the Johannesburg Stock Exchange until March 1978 when the Hendler family bought out the 41% minority shareholding for 25c a share. At that time there was an outcry. Shareholders believed they were getting a rough deal as net asset value was more than double the offer price. Nevertheless the deal went through, and Hendlers once again became a family-controlled private company.

Hendlers makes pots and pans, galvanised products, enamelware, stainless steel and office furniture.

Although Quincor's management could not be drawn on Hendlers profit record since delisting, it is apparently satisfactory, as shown by the expected profit projection for the top company Quincor.

Hendlers management will continue to run the company. Consideration will be met by the issue of 1 500 000 Quincor shares, and R16 million in cash. Quincor will raise this by using its own cash resources of R1 000 000, and by a rights issue raising Rh 700 000. The major shareholder, Mr. J. Meyerson, will take up his 50% entitlement. The rights issue will be underwritten by merchant bank, Sunbank.

The remainder of the consideration will be met by the issue of R5 million convertible redeemable preference shares.

COMMENT: Now that Quincor has made its first major acquisition, it begins to look a more interesting proposition for shareholders. On prospective earnings of 33.7c a share, Quincor yields 23.8% at the current price of 133c. Management has not said what dividend cover will be, but shareholders should be able to expect some recompense for their patience.

Quincor will be relisted on the JSE under industrial holdings, and the group will continue to look for attractive industrial interests.
Electrical workers on strike

About 300 morning-shift workers at the Siemens plant in Roslyn, Pretoria, downed tools today in support of a wage demand.

A source at the factory said the entire morning shift walked off the job after management had refused a demand for a R1-an-hour across-the-board increase. The demand had been posted on the company notice board a fortnight ago, he said, but management had not responded to it.

Mr Ben Nicholson, president of the Electrical and Allied Workers' Union of South Africa, denied there had been prior notice of the demand.

Most of the 800 workers at the plant are believed to be members of the union.

He said he saw the dispute as being a case of 'epidemic unrest,' since the union had established a good working relationship with management at the factory. This is the third strike to hit industry in Pretoria in the past month.

Mr Nicholson said the secretary of the EAWU, Mr Raymond Khoza, had gone to the factory to determine the exact cause of the dispute.
Metal men may delay tough line

By Drew Forrest

The powerful International Metal Federation was likely to give South Africa more time before taking "drastic action" against its affiliated unions or the country as a whole, the general secretary of the SA Butlers' Society Mr A J "Ike" van der Walt said today.

A nine-man team from the IMF — whose affiliates represent some 13-million workers worldwide — has just completed a week-long probe into the current South African labour scene.

Mr van der Walt added that the report, which will be submitted to the federation's central committee next year, was likely to be "fairly positive" and "objective."

PRESSURE

Other sources say the recommendations contained in the report are certain to be influenced strongly by the provisions of South Africa's forthcoming labour legislation.

The IMF is known to be under international pressure to support sanctions against the country.

Major concerns of the delegates were threatened State controls over foreign funds for local unions and industrial relations training, the sources said.

The delegates had stressed that of 70 countries where the IMF had affiliates, South Africa was the only one to request, particularly as regards the unemployed, its doors be opened temporarily to obtain capital flows from overseas bodies.

The delegates also probed the labour policies of its South African affiliates, and it is believed that some local unions may be expelled from the federation.

A number of unions had come under "heavy pressure," the sources said, in particular those which have recently encouraged the formation of "parallel," racially exclusive worker bodies.

The delegates had made it clear that the local co-ordinating council of the IMF, which collapsed this year after prolonged friction between registered and unregistered unions in the metal industry, could not be resurrected in its present form.

They acknowledged that differences between the unions were too deep for effective cooperation, the sources said.

The terms are process.

For a detailed account of the labour of the end of 1980.

The news release, p 27.3.

5. For a detailed account of the labour of the end of 1980.

3. For a detailed account of the labour of the end of 1980.

The news release, p 27.3.

2. For a detailed account of the labour of the end of 1980.

1. For a detailed account of the labour of the end of 1980.
Source: Simkins, 1979b, Figure 2.

Figure 1 is a histogram representing transfer incomes and earnings of Africans. Leaving aside the transfer earnings (pensions, unemployment insurance, maintenance and disability) in the diagram, it is clear that transfer income is a significant component of total income. The data for these years is not available, but it is estimated that transfer income constitutes about 40% of total income.

Striking workers at the Siemens plant in Roslyn today are turned away from work in accordance with management's decision. The secretary of the Electrical and Allied Workers Union of South Africa (EAUWSA) said that they were told to keep their distance in the changeover because the situation is too tense. The workers went on strike on Monday.
Siemens strikers go back

Eight hundred workers at the strike-hit Siemens plant in Pretoria returned to work yesterday as their union prepared to enter wage talks with management.

The workers walked out on Monday after management had refused a demand for an across-the-board increase of R1 an hour.

However, the secretary of the Electrical and Allied Workers' Union of South Africa, Mr Ben Nicholson, said the workers had dropped their original demand, and had left negotiation to union officials.

Tanks would start tomorrow, he said.

No workers had been dismissed, Mr Nicholson said. The company had offered to pay those willing to return for the period they had been on strike.
Local content plan raises fears of inflation

Farming Correspondent

Tractor price increases of about 40 percent will push food prices up again.

Food up 28 pc this year

By David Breuer
Pretoria Bureau

Food price increases over the past year have reached the gigantic average of 25 percent, according to figures released today by the Department of Statistics.

Food prices increased by two percent last month, bringing prices for November 28 percent higher than during the same month last year.

The steepest food increases were for meat, which increased from an index of 140.1 in November last year to 225.5 last month.

The average consumer price index increased by 0.8 percent last month compared to October, and the increase compared to November last year was 14.0 percent.

Due to the steep food price increases, the CPI increase for the lower-income group was 18.6 percent compared to 16.1 percent for the middle-income group and 14.3 percent for the higher-income group.

This disparity is caused by the high proportion of income spent on food by the lower-income group.

The changeover from using imported tractor engines to locally made diesel engines, the result of an agreement between tractor manufacturers and the Government to use only South African-built Atlantis engines from the middle of 1981, will be responsible for price increases of about 25 percent, an executive of a large Nicos factory said today.

And expected rises in the prices of items such as steel would take the total increases up to about 40 percent in the New Year, he said.

As the new diesel engine will also be fitted to trucks, all agricultural transport costs would be badly affected.

According to spokesmen for various agricultural control boards, farm costs were rising more steeply than average consumer prices.

Hefty rises in food prices were therefore inevitable, said the spokesman.

A top agricultural economist commented that the Government's policy of not subsidising farm costs was doomed to failure.

The State, not the consumer, should carry the burden of the strategically motivated changeover to the South African manufactured Atlantis diesel engine, he said.

If the consumer was to foot all cost rises, he said, less well-off consumers would be hit hardest.

Inflation would run away with the benefits of the economic growth, the economist said.

And, he continued there was good reason for subsidising some staple products such as beef, but as soon as farm costs caused dangerous new inflationary pressures, agricultural requirements should be subsidised out of tax revenue.
Steadier growth

Activities: Manufactures and distributes tubes and other engineering products, tubes for the mining, agricultural, automotive, industrial and public sector markets. Holding company is Ipsa (58% of the equity), while other major shareholders are British Steel (21%) and Anglo-American. Chairman: H C Kuper, managing director: P H Lenney.

Capital structure: 22.8m ordinary shares of 50c, 300,000 6% prefs of R2 Market capitalization: R100,3m.

Financial year to September 30 1980: Borrells long- and medium-term, R24.5m; Net cash: R14.4m; Debt ratio: 45.8%; Current ratio: 2.2; Group cash flow: R17.9m; Capital commitments: R26.7m.

Share market: Price 440c (1979-80 high, 512c, low, 160c, trading volume last quarter, 72,000 shares); Yields 11.4% on earnings, 6.3% on dividend; Cover 1.8; PE ratio: 8.8.

77 78 79 80

Return on cap % 13.8 13.1 17.9 17.9
Turnover (Rm) 190 228 282 359
Pre-tax profit (Rm) 12.5 8.8 12.0 19.2
Gross margin % 8.6 5.6 4.3 5.4
Earnings (c) 34.5 25.3 32.5 50.3
Dividends (c) 17 17 22 28
Net asset value (c) 331 343 348 372

* Life accounting base

Last year's 57%fifo-based earnings improvement, coming after an 8% leap the previous year, means that Stewarts & Lloyds' recovery from the 1978 profit trough is now virtually complete. For this reason, future performance is likely to relate more closely to the general growth pattern of the economy, until benefits of present capex start making themselves felt.

This could happen late in the current financial year, but full benefits are not expected until 1983. Still, with chairman Henry Kuper forecasting an earnings improvement of at least 25% this year, it is clear that the group should have a good profit run ahead of it — always assuming that the economy maintains a reasonable level of activity.

Performance over the past two years has been difficult to assess accurately because of the progressive changeover to fifo. In 1979 this system was applied to steel stocks, representing about 59% of total inventories, but last year the new method was used to value virtually the entire stock.

In an operation which needs to maintain stock at a fairly high level relative to turnover (26% on a fifo basis), this has clearly had a considerable influence on results, and last year's fifo earnings of R52.1m (on the company's calculation) were 34.8% lower than the fifo figure. Interestingly, though, despite the more conservative base, these earnings were only 3.6% below the 1975 fifo earnings peak of R59.4m.

Working backwards, it appears that the net return (fif0) on equity funds last year was a shade over 19%, which does not compare badly with 1975's 19.8%. There is, however, still room for improvement in profit margins which, on pre-tax, fifo basis, were only 8.2% of turnover in 1980 compared with 10.8% five years earlier.

This is mainly attributable to the very competitive conditions which still exist in the tube industry. S & L's most important activity at around 25% of turnover. According to the company, these continue to be a large measure of over-capacity, despite the increased offtake in line with general economic conditions, and the group's own capex in this area is related mainly to the replacement of existing plant with more efficient units.

For instance, R7.8m has been spent on a new galvanizing plant and ancillary equipment. While this will increase capacity to some extent, the difference is apparently not material. Where the group will score, however, is that the new plant is expected to be more efficient. This project is due to be completed in June or July next year.

But one area where there is major expansion is in stainless steel tubing where expenditure of R7.7m will triple capacity, although this is to a degree import replacement.

Another activity where margins are not yet satisfactory is the foundry division (the group's second largest operation) which is still working off low-margin contracts taken on during the recession. With the upturn in business, however, the group is now able to be more selective in the contracts it writes, so this situation should improve progressively. The division is also expected to benefit in terms of efficiency from R15.7m modernisation and expansion of its Benoni facility, although here again this will come too late to materially affect results in the current year.

These are the major elements of the group's present capex commitments totalling R26.5m (1979 R24m). Financing this should not be a problem because of the strong cash flow (aided by fifo tax savings) and the fact that the group is making increasing use of suppliers' credit.

This was clearly reflected last year when creditors rose 55%, considerably more than would normally have been justified by the 27% turnover increase.

On the basis of Kuper's forecast, the group should earn 85c and pay 34c this year, putting the share at 440c on a prospective yield of 7.7%. This is attractive for the industrial market, but roughly in line with the engineering sector which continues to be rated on a higher yield basis. However, with prospects of good earnings growth during the next three years, as capex benefits are increasingly felt, S & L should have some attraction for those requiring above-average income. Interestingly, its rating has not been affected by the splitting of what was previously an annual dividend. The decision to pay 10c of last year's 38c total as an interim increased the real worth of the payment by about 2.5% which, I would have thought, the market could have recognised.

Irmtra Thompson.
Battle for power in tool industry

BITTER recrimination is likely to break out in the South African power tool industry as a result of allegations by representatives of European manufacturers that some Japanese and Far Eastern manufacturers are now dumping on the South African market.

These allegations — hotly denied by local agents for Japanese power tools — stem from the fact that some tools emanating from the East are being sold as “specials” for about the same prices they were sold for about three years ago. What is odd about this new turn of events is that it comes at a time when all in the industry agree that the best year yet, with growth, measured in unit sales ranging between a modest, but highly satisfactory 60%, to an astonishing 700%.

"Most definitely there is dumping on the South African market, in particular by one Japanese manufacturer and by several Taiwanese manufacturers," says Armin Hallerman, managing director of Metabo Power Tools, which showed a 125% increase in unit sales in 1988 over the previous year.

Another important factor concerning age is the fact that industries today prefer younger people to fill vacancies. The older people are more interested in hanging on to what they have, whereas the younger people want more frequent job changes with the objective of securing knowledge for a job that he has chosen the right career. For the same reason older people tend to be more stable.

(iii) Sex. Females, who generally speaking are not classed as 'bread-winners' of the family, and consequently are not counted on such as their male counterpart, often tend to be more unstable.

(iv) Marital status. Young woman when they get married of their jobs to become housewives and mothers, and are likely to be more unstable.

(vi) Wage and salary rates. Poor wages and salaries are a contributing factor towards the instability of a labour force. The problem becomes very prominent in industries, such as the cement industry, where the average rates of pay are quite low.

Sources:

"I happen to know of certain people in this country who would like to claim that there is dumping in this market, and I know why they are making these claims," he said.

"I know, too, that they are having a go at Hitachi, but the fact of the matter is that their distribution costs are less than anyone else's, so they can sell for less — and did you know that certain European manufacturers actually have power tools made by Makita, then have them shipped to Europe where they fit their own labels and export them to other countries?"

European power tool manufacturers, who claim that Japanese dumping is now common throughout the world, say they are being more powerful, but they are also being more respectable, as well as being more powerful, than they were ever before. Also they are being made in larger quantities than ever which leads to economies of scale, so they can add value.

"I cannot speak for other manufacturers, but in our case we have introduced a new breed of electric drill to the market, both for the do-it-yourself and the industrial market which isn't only a one drop it has also an impact drill, is fitted with electronic speed control — which is old hat now — and they also feature automatic turn off when it is turned to a screwdriver, a nut runner and a tapper. Everyone, including the home handyman, has at one stage or another to take screws out of something."

"For the industrial market we have introduced models that are virtually indestructible. They are fitted with electronic controls, speed stabilisers, safety clutches, electronic thermal cutouts, which means that, in theory, their motors will not burn out. Their clutches are linked to their electronic controls and reduce power to their motors as soon as their clutches start slipping."

Hallerman does have a vested interest in Metabo, so can be forgiven for saying: "Even if Metabo is ahead of the pack now, it won't take long before other manufacturers come up with similar improvements to their products - - - .

"They certainly aren't going to allow us to erode their market share because of the improvements we have incorporated in our products."
OTHER MANUFACTURED PRODUCTS

Due to the undeveloped nature of manufacturing technology in South Africa and overseas, many of these products are imported. The report from the manufacturers in South Africa and overseas is as follows:

1. Coe's Products Ltd. This is one of the largest manufacturers of automobile parts in the country, and because of the high cost of materials in the United States, it has a large export market to Africa and South America. The materials used are high-grade steels, brass, and copper, and the finished products are exported to Europe, North Africa, and the Middle East.

2. J. M. Smith & Co. This company specializes in the manufacture of precision tools and instruments. They use high-quality materials such as steel, brass, and tungsten. Their products are exported to Europe, the Middle East, and South Africa.

3. W. L. Miller & Son. This company manufactures a wide range of products including furniture, metalwork, and electrical equipment. They use high-grade materials such as steel, brass, and copper. Their products are exported to Europe, the Middle East, and South Africa.

4. A. H. Brown & Co. This company manufactures a wide range of products including metalwork, electrical equipment, and furniture. They use high-grade materials such as steel, brass, and copper. Their products are exported to Europe, the Middle East, and South Africa.

5. J. H. Thompson & Co. This company manufactures a wide range of products including metalwork, electrical equipment, and furniture. They use high-grade materials such as steel, brass, and copper. Their products are exported to Europe, the Middle East, and South Africa.

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CEMENTATION

Better prospects

Activities: Holding company with main subsidiaries in design and manufacture of steel and metal products. Holds 50% of Gold Fields Cementation, giving it interests in the mining industry. Ultimate holding company is Trojedog House (UK).

Chairman: A. B. Rosen, managing director.
Capital structure: 6.8m ordinar'es of 50c. 150,000 6% cumulative preference of R2.7m. Market capitalisation: R1.7m.


DATES TO REMEMBER

Last day to request the declaration: Wednesday December 14th at 4 p.m.

Thursday, December 28th at 10 a.m.

Tuesday, December 26th at 10 a.m.

K. A. J. Briscoe

All meetings in Johannesburg under other directions.

Group profitability was last year by the inclusion of two new companies which, though they contributed significantly to turnover, had virtually nothing in the way of earnings.

The group acquired W. D. Weggall — now Cemento Foundry — and Cedex Construction for R2.3m cash and 500,000 Cemento shares at the beginning of the year. As a result, the year-end illustrated the higher interest bill generated by the longer-term debt, though some of the group's progress has not been overcome and margins are appreciably lower.

The group's dominant interest, however, continues to be in the mining industry, where its interests include the management of the Gold Fields Cementation. The group's shareholding in this company has increased to 50%, giving it a controlling interest in the company. The group's share of the profits of Gold Fields Cementation is expected to increase significantly in the coming year, due to the commencement of a new project.
Asseng order book hits record level

By JOHN MULCAHY

ASSOCIATED Engineering's order book is at a record level, and with economic prospects bright for South Africa, the chairman, Mr Cecil Dace, says he is confident of an earnings improvement in the current year.

In the year ended September 30 Asseng increased taxed profit 53.5% to R460 000 (R3.3 million) and, out of earnings of 14.7c, paid a full dividend of 4.2c, compared with 3.8c the previous year.

In his annual report Mr Dace says group profits are now more broadly based than in the past, and this should help if there is a downturn in any particular sector of the economy.

"We are also increasing our efforts to improve further our export activities," Mr Dace says.

Asseng's improved performance last year to Government's stimulation of the economy, which spilled over into areas in which the company operates — the manufacture of precision engine components.

In addition, Asseng benefited from its earlier capital expenditure programme, and there has been a general all-round improvement in performance by the companies in the group.

Operating profits before interest, tax and extraordinary charges rose to 8.8% of sales from 8.6% in the year to September 1979.

Mr Dace says the group's order books attained a good level during the year and due to increased demand all the factories are now on double shift.

"This obviously highlights the shortage of skilled labour, which is a major problem in the South African economy, and we as a company are increasing funds available for in-house training both now and in the future."

During the past year the Silverton division started franchising its rural service operations, reducing Asseng's own involvement in this part of distribution and services.

A noteworthy point is that Asseng recently received its first orders from Atlas Diesel Engines in the Western Cape.

Says Mr Dace, "though Atlantis has yet to come on stream, I view these orders with promise."

At September 30 Asseng's debt equity ratio was 61.7%, down appreciably from the previous year.

COMMENT: Demand from both the original equipment and replacement markets seems bound to remain strong in the current year.

While HP curbs might inhibit vehicle sales, a real growth rate of 5% suggests further real growth for the motor industry, which is the biggest component of GDP. At least one institutional research team is forecasting total vehicle sales of more than 850 000 in 1981.

There are also strong rumours from Pretoria that the national speed limit is to be raised to 120 km/h. This would be a huge boon to Asseng.

The group's maiden sales to Atlantis, its reorganisation into a less cyclical business and its substantial dividend cover are further bull points, making it look cheap on 20c yields 8.4%. 

[Image of a handwritten note: 29/12/80 189]
Strike may end in the new year

Pretoria Bureau
THE STRIKE by 500 employees of the Metal Box plant in Rosslyn, near Pretoria, would be resolved early in the new year, the director of the company, Mr P W Seddon, said yesterday.

He said the management would talk to representatives of the employees on January 6 to find out what had led to a sudden stoppage of work on December 22.

The stoppage forced the management to pay the workers, and they were told to return to work on that date.

Mr Seddon said they did not specify their grievances, but had just discontinued work.

He assumed that they had been inspired by the increase allegedly given to workers at a nearby motor assembly plant.

Mr Seddon said he was not prepared to talk to a group because his company was a workers' council through which employees should air their grievances to the management.

He disclosed that his Rosslyn branch was used mostly for training blacks for better jobs.

Mr Seddon added that wages varied according to work done. A minimum hourly wage was R1.20 and the maximum R3. Some black employees were therefore earning up to R10,000 a year.
Dunswart to double mill capacity

Mercury Correspondent

JOHANNESBURG—Dunswart Iron and Steel, Gencor’s iron and steel-making arm, is to spend R21-million doubling the capacity of its light section mill and installing a continuous casting plant.

The capital expenditure will be financed by the R6,050,000 proceeds of exercising options and surrendering debentures, the sale of Dunswart’s interest in Alpha Dunswart (Aldun) to Gencor for R4,347,000 and R11-million of retained profit and term finance.

Boosting the capacity of the light section mill to 160,000 tons of finished sections a year will cost R16-million.

It will involve upgrading the reheating furnace and the installation of a new continuous finishing train, cooling bed and cold shear.

Storage

Additional storage straightening and crane facilities will be included. Orders for the equipment were to be placed this week and commissioning is expected to take place during the first quarter of 1973.

The continuous casting plant will cost R5-million and will secure sufficient billet material for the finished section mill.

The low yields cogging mill currently in use will be phased out and all steel will be processed by the modern continuous casting route.

Gencor’s offer price for Aldun substantially exceeds the net asset value of R16,317,000.

Aldun comprises an investment portfolio which includes 226,000 Standard Bank and 88,000 Rustenburg Platinum shares as well as 7.5 percent of Lucas Block Minerals.