MANUFACTURING - Non-metallic mineral products

Footnotes

1. Additional Allowances - Bicycle allowance

Area

Magisterial Districts of Durban*, Inanda, Pinetown and Lower Tugela.

Parties

Employer Organisation: Durban and District Master Bakers Association
Trade Union: The Natal Baking Industry Employees' Union, Food and Allied Workers' Union of S.A.

* Durban
Gold closes steady after quiet day

Closing gold prices
(In $ an ounce)

<table>
<thead>
<tr>
<th>Location</th>
<th>Fixing am</th>
<th>Fixing pm</th>
</tr>
</thead>
<tbody>
<tr>
<td>LONDON</td>
<td>366.50</td>
<td>370.00</td>
</tr>
<tr>
<td>ZURICH</td>
<td>365.00</td>
<td>366.00</td>
</tr>
</tbody>
</table>

The dollar, which sank on a speculative advance on Tuesday and was hovering just below all-time records against sterling, took place last year and wiped out R12m in bank overdrafts. Everite with R10m in cash in the bank.

Dealers said new evidence that the United States recovery was faltering depressed the market.

Investors generally expect that a slump in the speculative recovery would lead to the United States Federal Reserve cutting back on interest rates — which would reduce the dollar's value as an investment.

In London, share prices hit a new record on the London Stock Exchange yesterday, with a jump of R12m in the Dow Jones Industrial Average.

The market's strong upward drive was propelled by sharply higher British trade figures. The dollar value of the pound against the dollar rose to 225.10. The Newcastle Journal reports that the Bank of England has raised its base rate by 4% to 10%. The pound was up 4.4% against the dollar. The British government has raised the base rate by 4% to 10%. The pound was up 4.4% against the dollar.

The market's strong upward drive was propelled by sharply higher British trade figures. The dollar value of the pound against the dollar rose to 225.10. The Newcastle Journal reports that the Bank of England has raised its base rate by 4% to 10%. The pound was up 4.4% against the dollar. The British government has raised the base rate by 4% to 10%. The pound was up 4.4% against the dollar.

The market's strong upward drive was propelled by sharply higher British trade figures. The dollar value of the pound against the dollar rose to 225.10. The Newcastle Journal reports that the Bank of England has raised its base rate by 4% to 10%. The pound was up 4.4% against the dollar. The British government has raised the base rate by 4% to 10%. The pound was up 4.4% against the dollar.
Ending weeks of speculation . . .

D & H gets 25.9% stake in Blue Circle

By JOHN MULCAHY

JOHANNESBURG. — Darling & Hodgson (D & H) has acquired a 25.9 percent interest in Blue Circle, ending several weeks of speculation on the identity of the aggressive buyer of Blue Circle shares on the Johannes burg Stock Exchange.

(D & H) paid a total of R33m for 3.8m shares bought on the market, or an average price of about 850c a share.

Apart from the stake acquired through the market, D & H will receive another 2m new Blue Circle shares and R4m in cash in exchange for a 50 percent interest in the D & H materials division.

The 50 percent stake in the D & H materials division has been valued at R21m for the purposes of the deal, which is effective from last December.

The deal has significant synergistic advantages for Blue Circle and for D & H.

For Blue Circle, the stake in D & H materials division, which has already shown substantial growth and is involved in a major development programme, gives it a strategic muscle to compete with the two other cement majors, Pretoria Portland Cement, and Anglo-Alph.

Mr John Hodgson, D & H's executive chairman, said yesterday the group had pinpointed an investment in a cement producer as part of its long-term strategy. He would not discuss the negotiations prior to the Blue Circle deal, but said "we have reviewed all possibilities".

It took D & H about a week to acquire the 3.8m shares on the market, a period of activity which had the market guessing as to the likely buyer, and which led to speculation that Blue Circle Industries of the UK might be selling control.

After categorical denials from Blue Circle Industries, several other options were mooted, but D & H was never mentioned as a likely buyer, which is a tribute to the security attached to the deal.

Mr Hodgson stressed that the purchase of the Blue Circle shares had been done with the full knowledge and blessing of the boards of Blue Circle Industries and of Blue Circle.

He said the deal was one of the best D & H had done, as the materials division needed the cement relationship, while for Blue Circle, after being probably the weakest of the three major cement producers, was now at least equal to the other two.

Standard Merchant Bank said in an announcement yesterday that the transaction would provide Blue Circle with an entry into the construction materials field, giving it a wider spread of related activities.

"D & H will gain a stake in the cement industry which is closely allied to its construction and ready mixed concrete operations. The association will enable both parties to rationalize and develop their existing interests."

Mr Hodgson and Mr Brian Malemson will join the Blue Circle board, while Mr Trevor Coulson and Mr A P Albertyn have been invited to join the board of D & H Materials (Pty).

D & H's accounting policies will be changed to reflect Blue Circle as an associate.

Earnings

While there is likely to be a drop in D & H's earnings a share for this year — to 125c a share from 135c — as a result of the Blue Circle transaction, Mr Hodgson said that a year from now the acquisition would have a major impact on D & H's earnings.

Comment: D & H has well and truly shrugged off the effects of the Amandshah venture and of the ill-fated engineering division, and 1983 will be seen as one of the most constructive years in the group's development.

It is with good reason that Mr Hodgson is excited with this deal, and while it is impossible to compare its effects with those of the Group Five acquisition, the two combined have put D & H into an extremely powerful position for the future.

Benefits

For Blue Circle, the strategic benefits are probably greater than for D & H, as the latter's markets are closely linked to those of Blue Circle.

D & H is confident of ousting Anglo-Alph's Hippo Quarries, and this is only one area of potential benefit to Blue Circle.

Another major area of rationalization could be in the ready-mix concrete industry, where D & H is immensely powerful.

All in all, a good deal, and D & H can be complemented for the advantage it has taken of the recession, both in reorganizing the construction interests and in securing the Blue Circle stake.
Eventide workers strike for 5 hours

By RIAAN DE VILLIERS
Labour Reporter

HUNDREDS of black and coloured workers struck for five hours at Eventide's Brackenfell asbestos manufacturing plant yesterday morning in support of a demand that two men in charge of black hostels on the site be fired.

Workers returned to work pending a meeting between union officials, shop stewards and management yesterday afternoon.

But the dispute was not resolved and the union warned later that further industrial action was "imminent".

According to a statement by Eventide, union officials also warned management yesterday that "violence could ensue" if the hostel supervisor was not removed from his accommodation.

Management had therefore "reserved the right" to use additional security measures, the statement said.

Union officials were reporting back to workers last night.

Mr David Lewis, general secretary of the GWU, said the talks had deadlocked when management refused to fire the two men and also rejected a "union compromise" that one of them be suspended pending a disciplinary inquiry.

Mr John Wapland, regional manager of Eventide, said a worker delegation had demanded the dismissal of the hostel manager and supervisor on Monday.

At yesterday's meeting, management insisted on a full investigation before suspensions or dismissals could be considered and proposed a full inquiry today.
Cabinet to revik 100km/h speed limit

Political Staff
SOUTH AFRICA'S maximum speed limit of 100km/h is to be reviewed by the Cabinet and it is possible that an announcement will be made this week during the debate on the Department of Mineral and Energy Affairs.

Several organizations, including the AA have appealed from time to time for an increase in the limit.

The annual report of the department, which was presented to Parliament, said that fuel conservation measures such as the speed limit were constantly reviewed "in the light of prevailing circumstances."

The expected imbalance between petrol and diesel fuel consumption did not materialize last year. Production in diesel sales resulted from the drought and a slowdown in the economy, and there had been a marked increase in the sale of petrol.

"It may therefore not be necessary to stimulate petrol sales by raising the limit," an AA official said. "But if we place the speed limit to rectify a possible imbalance - to balance the barrel - it should trend in time."

Regarding the petrol price, the official said the Cabinet would be unlikely to change this price, too.

Too late for classification

BIRTHS
HANESOWN: To Mr. Charles and Mrs. P. gilbert born on April 30 at the John Gordon Clinic. Thanks to doctor and staff.

DEATHS
FREEMAN: Mr. Fullboom, died on May 4. He was 70. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

FREEMAN: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

FAIRCHILD: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

FREEMAN: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

BRIGGS: Capt. Solly, died at the age of 60 on May 4. His family is grieved at his passing. He is survived by his wife and four children.

Bennett: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

BRIGGS: Capt. Solly, died at the age of 60 on May 4. His family is grieved at his passing. He is survived by his wife and four children.

Bennett: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

Bennett: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

HARRISON: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.

Bennett: Mr. Fullboom, died on July 4. A personal request for donations to the Amalig Wellness Society P.O. Box 9395, at Walmer, Port Elizabeth.
Affront to integrity

Labour Reporter

The clearing of an Everite hostel supervisor by the management of the company was "an affront to the integrity and honesty of witnesses in the inquiry and the 700 workers supporting them", according to the General Workers' Union.

The GWU claims majority support at Everite's asbestos-product plant and its transport division, Cape Hauliers.

The GWU said the result of the inquiry, which the management initiated after hundreds of workers downed tools in support of a demand that the hostel supervisor be dismissed, reflected "prejudice on management's part".

Workers have alleged the supervisor, who lives with them in the company's Brackenhurst hostels, was guilty of "severely ill-treating" them.

The union spokesman said workers planned to "take action in the hostel environment", but declined to spell out details.

Workers threatened similar industrial action after the first stoppage if the supervisor was not dismissed.

After the stoppage Everite's regional general manager, Mr. John Wayland, said the company would hold an inquiry to investigate workers' allegations.

He announced this week that the inquiry had "cleared" the supervisor.

The GWU spokesman said the issue had been mistakenly turned into "a dispute over management prerogative, whereas it is simply a case of workers demanding that they be free of undue management control in their free time."
BRUNSWICK
BRISTOL
SNOOKER TABLES

- Slate based traditional 1/2 table with ball pockets
- Rich walnut grain finish imprints a truly "Pubby" feel and the laminated rails help to prevent burns, scratches and stains
- The playing surface is covered in a tear-resistant wool/nylon fabric
- The "Bristol" Kit includes a full set of snooker and pool balls, 4 cues, cue rack, triangle and everything else you need to begin your own home snooker club

1499.00 DION'S LOW PRICE

CHAMPION SNOOKER TABLES

- Tubular steel legs
- Complete with 2 snooker cues
- set of balls, triangle and scoreboard

179.95 DION'S LOW PRICE

SVEN MOBILO TABLE

- Regulation size table, PVC on nets
- Folds up with 15 cm wheels
- No partners? Fold one half vertically, and play against yourself!

Waterproof Model

399.88 DION'S LOW PRICE

Model not waterproof

239.98 DION'S LOW PRICE

Vivi "Miki" Kiddies' Bikes
- Frame of steel tubing
- 30 cm semi-pneumatic tyres, stabilisers
- Nylon bearings throughout, horn
- Adjustable saddle and handlebars
- Front hand brake

SNAPPY SERVICE

TOWBARS NOW FITTED AT SALT RIVER

Another signatory for GWU

Labour Reporter

PREBUILT Products, a subsidiary of the Murray and Roberts group, has signed a recognition agreement with the General Workers' Union.

In a statement, the powerful Cape-based union said the agreement recognized the union's right to represent members at the firm over "any matter affecting their employment."

The agreement also gave it rights of negotiation over wages, conditions of employment, health and safety and other matters. The signing followed several months of negotiations which took place in a "spirit of cooperation."

The union added that the management's attitude was commendable to other employers, particularly in the cement and concrete industry.

CONTRACTORS TO S.E.B.A.A.

SUN SILENCE

Goodwood
Byway
Muizenberg
Salt River
Cape Town
Buiteberg

Tuesday
are on
Industrial dispute ends with union recognition

Labour Reporter

A FORMAL industrial dispute, lasting several months, has been resolved with the signing of a recognition agreement between a firm in Kuils River and the General Workers' Union (GWU).

Litigation which was pending between the GWU and African Spun Concrete Company in the Industrial Court will now be dropped.

A GWU spokesman said the agreement accorded the union "full rights of representation and negotiation."

"We trust that other employers will take note of this agreement and recognise the futility of long, protracted battles over union recognition."

"The workers' right to join and be represented by a union of their choice is inalienable and will be fought for whenever obstructed," the spokesman said.

The dispute was due to come before the Industrial Court next month.

In January, a Conciliation Board hearing failed to resolve the dispute, which centred on the company's refusal to recognise the GWU, which had majority membership in the plant.

Mr P Hoeks, managing director of African Spun, confirmed the agreement and said the company was committed to "making the mechanisms that have been established work."
Demand to end glass monopoly

A FORMER managing-director of Afcol, the listed furniture giant in the SAB group, Abe Berger, has taken a swipe at "monopolistic" practices of the Plate Glass group immediate abolition of the 20% duty on imported glass.

Mr Berger, now an executive director of flat glass merchant Independent Glass Industries (Pty) said: "The latest actions by the PG group call for, at the very least, the abolition of the 20% protective duty on imported glass in terms of the Minister's powers under the Maintenance and Promotion of Competition Act.

"In this way, PG's manufacturing associate, South Africa's sole glass supplier, Pilkington, would face meaningful competition."

Mr Berger has also attacked statements made in Business Times last week by PG's joint executive chairman, Horrie Lubner. He said his company had been forced by PG associates Pilkington and Shatterprufe, to import all its stock.

Unhappy

"Pilkington indicated that we would be required to sign a distributorship agreement. Since we were not happy with some of the clauses in the agreement, nor would we know our true costs until after selling our goods for up to a year, we decided to import."

"Our experience with Shatterprufe was similar. We had to buy not less than 60% of our safety glass from them and to promote and distribute the entire range of the company's products."

"We found these conditions restrictive. Price, therefore, is not the only consideration which led us to import. It is important, however, when competing with a vertically integrated manufacturing monopoly."

Attacking Mr Lubner's assertion that glass importers were dumping "dumped" products, Mr Berger said: "It is easily ascertainable that the prices we pay are those generally offered in Europe to merchant customers."

"We have bought from several manufacturers all at approximately the same price and all with lead times of about two months. None of stock available for immediate shipment. This is hardly a sign of a need to dump.

"What more questionably is that before the Pilkington and Shatterprufe prices..."
The interum dividend for the current year has risen to 14c a share compared with 9c last year.

“The housing sector, as opposed to the civil engineering sector, has substantially sustained our activity.”

“There is currently an easing in demand for higher priced houses but I don’t think there is any surplus of middle-income housing and the demand for more colourful and black housing will keep the construction industry busy for many years.”

Mr Layt expects an upturn in civil engineering to come in 1988. “I think the upturn in the general economy will come before that but there is always a time lag before the construction industry feels the effect of either an upturn or a downturn.”

“Projects already begun have to be finished and plans for new ones to be approved.” In readiness for the upturn, the group is building a new cement plant at Dwaalboom in the North Western Transvaal at a cost of R300 million, which will have a capacity of about 600 000 tons a year and is due to come on stream in 1986.

“I am quite confident that there will be no problem whatever in supplying the needs of the Western Cape.”

“Our plant in the Western Cape is running at only 75 per cent of capacity. At full capacity it will produce 1,5 million tons a year.”

Mr Layt said the fact that his group had a monopoly of cement production in a large part of the country, including the Western Cape, was no cause for concern.

“We take our responsibilities seriously. We have accepted the responsibility for keeping the Western Cape supplied and there is no possibility of running short.”

“We have used a lot of discretion in price increases. In the past the extra factory price of cement went up by only 9 percent and we intend to hold it at that level for another 12 months.”

“But we would not absorb any railway price increases.”

“I don’t dispute that we have organised marketing, but you must look at that in the context of the South African economy, which is still in development.”

Mr Guy Layt, managing director of Pretoria Portland Cement, says its production capacity in the Western Cape is sufficient to meet increased local demand when the upturn comes.
NGWU 

men strike

More than 200 members of the National General
Workers Union downed tools today in three
strikes at companies in Pretoria and Witbank.

At the Gencor-owned pipe manufacturing com-
pany, Rocia, in Rosslyn, 200 workers went on
strike after the unilateral introduction of wage in-
creases by management.

The second strike occurred at Holtstone,
makers of tombstones near Pretoria, where 70
workers downed tools over the firm's refusal to
negotiate with a union representative.

In the third strike, 12 NGWU members at
Mike's Kitchen in Wit-
bank downed tools after the retrenchment of
three fellow workers —
Labour Reporter.
DISMISSED workers at the Estcourt glass tile factory, Glamosa Producers, will return to work on Monday morning as a result of negotiations which took place yesterday.

A joint statement issued by the factory management and the South African Building and Allied Workers' Union said discussions had ended with an offer to all workers to return to work at their old wages but with unchanged terms and conditions of employment.

Wages were to be frozen until April next year when they would be reviewed.

The Glamosa management were considering formal recognition of the union.

Appreciation was expressed towards the union officials who helped to reach a friendly agreement.

Workers at the factory went on strike on Monday and were dismissed after ignoring an ultimatum to return to work. They refused to accept their dismissal and did not collect their pay, and gathered at the factory gates every morning.

According to the factory director, Mr. Robert Craig, the workers received a pay increase two months ago.

The dispute had taken so long to settle because the managing director had been away only arriving back in Estcourt on Thursday evening.

On his arrival union officials had been invited to negotiate. After what Mr. Craig called a 'very friendly discussion' the union men met with the workers, who accepted the terms, collected their pay for the previous week and went home.

'We are very grateful to the union. They handled the dispute like gentlemen,' Mr. Craig said.
Imports hit return on Simuma cement

BY FRISCILLA WHYTE

CEMENT imports from Spain and Japan are jeopardising investment returns on the R178m Simuma clinker plant near Port Shepstone.

Until the plant was commissioned in May cement cost R55 a ton from Blue Circle’s Liechtenburg works, in the Transvaal, and railage to Natal cost a further R40.

Mr Peter Kett, commercial director of Blue Circle Cement, says “The cost of sea-freighting cement to SA from Japan is $12-$15 a ton, whereas railage cement from Simuma to Durban is R12.”

The average domestic cost per ton of cement in Japan is R94. The domestic base is supporting the export drive.

Mr Kett regards the 7,000 tons of cement coming in monthly from Zimbabwe as fair competition because it is the closest to the northern Transvaal market and is being sold at the full domestic price in Zimbabwe.

The Simuma project was a joint venture backed by the entire cement industry — Anglo Alpha, associated with the Swiss Group, Horderbank Financiere Glaris; Cape Lime, a member of Federale Volkabeleggings, Pretoria Portland Cement, a Bulow Rand Company; and Blue Circle

Mr Kett says railage constitutes 40% of total delivered cost of cement in South Africa.

There is an enormous surplus of cement wide and some suppliers are willing to sell on a marginal cost basis for $25 a ton.

The surplus has arisen because there has been a trend towards building cement plants throughout the world, particularly in the Third World, where Middle East oil countries which used to depend on imports have now established local plants.

Mr Kett explains that the average capital cost per ton of cement produced in SA is R200.

The return on investment is 8%, calculated on the basis of earnings before interest, and tax of R16 a ton, divided by the average cost a ton of R200.

However, new plants such as Simuma have an annual average capital cost per ton of R400. Its use of the latest technology can produce profit before interest and tax higher than R16 a ton.

The older cement plants, while not as efficient, have a lower capital cost per annual ton and, taking depreciation into account, the book value of older plant means earnings yield a double-digit return on investment.

Due to the higher cost of investment in Simuma the rate of return is lower than the average.

The Simuma plant was built at a time of high interest rates. The timing of the rate of return on investment becomes even gloomier when this is taken into account.

Natal is the happy hunting ground for cement imports because of the punitive cost of railage cement from the coast inland. Other ports do not consume enough cement to justify imports.

Cape Town has an older cement plant and is not saddled with an interest burden.

Mr Kett says the reason for the Simuma project was that “there was a 40% increase in demand from the middle of to the end of 1981 and a marginal shortage developed.”

It takes three years to commission a cement plant from the time the decision is made to establish a plant.

By January 1983, the deliveries from producers were being met with a week of placing orders.

Cement is distributed by the Cement Distributors of SA for all local producers so that it is despatched from the cement producer nearest to the consumer.

The cement industry is capital-intensive and returns are accrued on a protracted basis. It is not labour-intensive but for every new job created in the cement industry a further 1-8 jobs are created in associated industries.

Mr Kett says that the newest cement plants compare favourably with their international counterparts.

Bearing in mind that coal, electricity and man-hours per ton are 66% of the total cost of producing the cement, the average fuel (coal) consumption at new plants is 4-5 megajoules a ton compared to an international average of 4.9 megajoules.

Electricity consumption is 96,6kW hours a ton compared to an international 111,4kW and the man-hours a ton is 958 in SA with an international average of 1,11.

Owners of cement plants must rebirk the kiln on average every five months at a cost of R250 000 a time.

The combined effective capacity of the cement industry in SA is 9.573-million tons a year.

The Vleko plant of Anglo Alpha near Bloemfontein will fire a new kiln at the end of the year with an additional capacity of 1.2-million tons. The company plans to mothball the old, less-efficient plant (600 000 tons) so the net increase will be 600 000 tons a year.

Blue Circle will be uprating an existing kiln to produce an added 450 000 tons a year. This will be in operation by April.
600 walk out as 5 held at factory

CAPE TOWN — About 600 workers walked out of a Brackenfell plant manufacturing asbestos products yesterday to protest at the arrest of five shop stewards.

The arrests followed an incident on Monday when workers at Everite Limited allegedly damaged an office at the company hostel.

Mr David Lewis, general secretary of the General Workers' Union, which represents about 700 employees at the plant, said the workers had gone on strike to "express their contempt for what they see as collaboration between the police and management".

The dispute will be discussed at a union conference this weekend.

"The union will decide what to do when a major multinational company flouts even nationally accepted standards of labour relations," he said.

An Everite spokesman said the company had informed the police after "serious damage to company property" was caused.

He denied there was any collaboration between management and police.

The five will appear in court on Monday — Sapa.
Strikers halt Everite plant

By RIAAN DE VILLIERS
Labour Reporter

ALL BUT 10 of the more
than 700 workers at Ever-
ite's asbestos-refsuce
plant at Brackenfell
went on strike yesterday
in protest against the ar-
rest of five union stewards by police earlier
this week.

The dispute deepened later in the day when
management representatives rejected all de-
mands framed by workers at a mass meeting at
their hostel. Workers then decided to continue
their strike on Monday.

Demands

Among the demands were that management
should withdraw charges against the shop ste-
wards, who are being held at the Brackenfell
police station.

While the full implications of the strike were
not clear, a management spokesman acknowledged that all but 10
black workers were on strike and that the plant
was at a standstill.

The strike follows increased friction over the
past few months between workers — most of whom belong to the General
Workers' Union — and management at the large multi-national company.

After added friction between workers and the
hostel management over the weekend, workers al-
legedly damaged the hos-
tel supervisor's office on
Monday night. Police ar-
rested five union shop stewards on Wed-
nesday.

Union officials later
accused Everite of "col-
laborating with the
police in victimizing
union leaders."

After a stormy meeting
at their hostel on Thurs-
day night, workers clocked in early yester-
day morning but massed at Everite's gates. The
strikers included work-
ers at Everite's transport
subsidiary, Cape Hau-
lers.

Later they streamed to
their hostel, where work-
ers and union officials
addressed a mass meet-
ing. After being ap-
proached by the com-
pany's personnel man-
ger, Mr Neil McLeod, workers agreed to elect a
deputation to put their demands to manage-
ment.

These were that crimi-
nal charges against the
arrested men should be
withdrawn and that all
internal disciplinary
hearings should be dropped. These de-
mands were later reject-
ed by management.

A management spokes-
man rejected charges
that the company had
victimized union
leaders.

"There is no question of the disciplinary action or reports to the police bearing any ulterior mo-
tive towards the union," he said.

In a later statement, Mr
Dale Lewis, the GWU
general secretary, said
the union "utterly reject-
ed" management's deni-
al of collaboration with
the police.

He said all five shop
stewards had been ar-
rested in the company
offices after being called
in by management.

Mr Lewis said: "A ma-
jor multi-national com-
pany that is prepared to
use the South African
Police in this way can
only expect the harshest
possible response from
the international trade
union movement."

Mr Lewis said the strike would be dis-
cussed at the union's an-
nual national confer-
ence being held this
weekend. "We will also
discuss how to take the
matter up with the rest of
the trade union move-
ment," he added.
GWU warns Everite of trade union action

By RIAAN DE VILLIERS
Labour Reporter

The General Workers Union yesterday warned that it would seek principles of freedom of association.

It would urge the South African and international labour movements to "seek compliance with these standards," it added.

Meanwhile, the Everite yesterday rejected previous GWU accusations that it had collaborated with the police in victimizing union leaders.

Mr Evert Classen, its personnel director, confirmed that the company had laid a complaint of breaking and entering and of malicious damage to property following damage caused to the hostel manager's office on Monday.

"Labelled"

Following a police investigation, management was instructed to call five shop stewards from their work places on Thursday. These men were arrested and would appear in court today.

"These legal consequences of criminal action have now been labelled as sinister 'police collaboration' and 'victimization of shop stewards' by the GWU," he said.

"We suggest however that the union should look no further than the behaviour of its members to discover the reasons for police involvement and for internal disciplinary hearings that are the cause of the current work stoppage," he said.

Union demands that disciplinary procedures should be withdrawn, sought to give "privileged status" to the shop stewards concerned and were a "direct attack on management's inalienable right to discipline," he added.

The conference declared that Everite was engaging in a "systematic campaign of victimization of union shop stewards in co-operation with the police" and it therefore strongly endorsed the workers' decision to strike.

It demanded that Everite reinstate the dismissed shop steward and withdraw charges against others.

"Failing this, it would inform the next meeting of the feasibility committee setting up a new federation of independent unions and the Building Workers' International that Everite was in "flagrant violation" of internationally-accepted
Farm killings: Youth in court

Staff Reporter

A 15-YEAR-OLD youth pleaded not guilty in the Robertson Magistrate's Court this morning to two charges of murder arising from the death of two labourers on a Robertson farm earlier this month.

The appearance of the youth is a sequel to the fatal shooting of two farm labourers, Mr Hans Lutjegang, 55, and Mr Piet Pettersen, 55, on the farm "Groot Vlakte" on July 15.

The youth, who may not be identified, pleaded as follows:

- Not guilty to murdering the two men but guilty to the alternative charge of culpable homicide.
- Guilty to breaking into the house of Mr J S Cilliers and stealing a shotgun and ammunition worth R8.

(The magistrate noted a plea of not guilty after questioning.

- Not guilty to attempted murder — he denied that he had failed to murder Mrs Christa Kuhn by shooting at her. He said he had aimed at people but the shot had gone high and he had not seen Mrs Kuhn standing at a window.

- Guilty to pointing the shotgun at both Mr Willem, Mrs Martha and Mrs Alida van Rooyen.

- Guilty to possession of a firearm without a valid licence.

The hearing was adjourned to August 9 for a decision by the Attorney-General. The youth is to remain in custody until that date.

LWV delegates to see 'torture film'

BUDAPEST — Delegates to the Seventh Assembly of the Lutheran World Federation will see a 30-minute film entitled "The Torture of a South African Pastor" in Budapest.

The film deals with the case of a Lutheran minister from the Venda homeland, DeanSimon Farisani, and includes his own testimony of alleged torture by the Venda security police.

Dean Farisani, who will be addressing the assembly tomorrow, was paid a substantial sum in an out-of-court settlement for damages suffered as a result of alleged torture by the Venda security police.

Dean Farisani's case has attracted widespread international attention and has rallied concerned Lutheran churches from more than 100 countries to his cause.

The film will be shown on Monday before next Wednesday's crucial debate on the proposed suspension of the white Lutheran churches in South Africa because of their failure to condemn apartheid publicly and merge with the black churches.

- An African motion to suspend two white South African churches from the LWV has thrown the seventh assembly into confusion.

The South African suspension has not been suspend but has emerged as a major issue at the conference — the biggest gathering of Christians ever held in an Eastern Bloc country.

Now the LWV executive committee has decided to hold a hearing on Southern Africa later this week to allow free discussion on the subject before a proposal goes forward for debate next week.

SABC Olympic effort

Staff Reporter

The SABC is still continuing its efforts to be the Olympic blackout and to worm its way around the International Olympic Committee's mandatory of press accreditation to journalists and correspondents covering the Games for South African news services.

Negotiations between the SABC and the giant American Broadcasting Corporation for a series of delayed transmissions on the Games events (which would highlight events over two days) and a union official at his appeal, and a mediator should be present.

They had also proposed the setting up of a "major grievance" of hostel dwellers management had then agreed to "wide-ranging talks" over conditions at the hostel.

It said workers had resolved to return to work the next morning after hearing — a demand for "reasonable pay".

SA workers were "extremely bitter" and "suspicious" about the management's offer.

"They are being paid that the arrested shop stewards are back, but they say management was responsible for their return," he added.

The Swiss multinational company's asbestos products plant at Brackenfell appeared to be at a complete standstill yesterday.

However, a spokesman was quoted as saying that "limited production" was taking place.

A management spokesman later confirmed that management had agreed to consider a "broad range of issues" raised and would respond to them today.

The union resolved at its annual national conference to seek national and international trade union action against Everite if failed to accede to worker demands.

Rer: 00:00 - 10:00

FRIDAY 2 - 8

FRIDAY 2 - 8

FRIDAY 2 - 8

FRIDAY 2 - 8
New bid today to end strike at Everite plant

Labour Reporter

The dispute at the Swiss multi-national asbestos product manufacturing plant, Everite Ltd, enters its fifth day today as 700 workers continued their stayaway.

The workers downed tools last week in protest against the arrest of five shop stewards and the dismissal of a sixth.

Manager of the Everite's Brackenfell plant, Mr John Wayland, confirmed today that the workers were still on strike.

DEMANDS REJECTED

The workers' two main demands — that management withdraw charges against the five shop stewards and re-instate the sixth — have been rejected.

Union representatives will meet management later today in another attempt to break the deadlock.

Meanwhile, production in the factory, which is a major supplier of building materials, is seriously affected.

The General Workers' Union has accused the company of victimising shop stewards and flouting "internationally accepted principles of freedom of association".

"STAGE MANAGED"

The company has denied the union's charge that it has "collaborated" with the police and has accused the union of "stage managing a confrontation".

A company spokesman said: "The company has continually co-operated in the negotiations towards the successful achievement of a recognition agreement with the General Workers' Union."

"This co-operation includes a specific agreement with the GWU that the hostel issue would be a priority for discussion immediately after the signing of the recognition agreement."

Conditions in the company's hostel have also led to unrest at the plant recently.
Brick price increases

Consumer Reporter

It will cost more to build a home from tomorrow when the price of bricks goes up by about 4.5 percent.

The increase was one of the regular price adjustments made by Corobrik, said the acting managing director of the Transvaal division of the company, Mr Ray Andrews.

The last price rise was in May.

"The price adjustments vary from about R4 for 1 000 bricks to about R10 for 1 000 bricks — depending on the type of brick," he added.

"But there is some good news for people who are having homes built. Transport costs, which could increase the price of bricks by between 20 percent and 30 percent, will not rise."

The high rate of inflation and rising costs were responsible for the increase.

"Major cost factors are the increase in GST, the price of coal and the cost of labour," said Mr Andrews.

Another reason was that much of the equipment used by the company was bought overseas and costs had increased due to the falling rand.
Strike at Everite ends: 700 return

THE five-day strike at Everite Limited's Brackenhill plant has been settled and about 700 workers returned to work today.

Workers downed tools last week to protest against the arrest of five shop stewards and the dismissal of a sixth.

The truce was reached after an all-day meeting between General Workers' Union officials, shop stewards and the company.

But the union, which presented modified demands after its original demands were rejected, warned the company that the settlement would be of "short duration" unless it "radically changed its attitude to industrial relations".

"If it continues to treat every grievance of the workers as evidence of provocation and agitation by the union and its shop stewards and if it continues to involve the police in industrial relations it can expect further conflict," said Mr. David Lewis, GWU general secretary.

Mr. Evert Claasen, personnel director, said "Everite can only repeat that it has not in the past behaved in this way, nor will it do so in future."
Everite strike ends after negotiations

Labour Reporter

The strike of more than 700 black workers at Everite's Brackenfell plant has ended after lengthy negotiations between management, General Workers' Union officials and worker representatives yesterday.

However, it appeared from statements from both parties that months of friction at the plant may continue.

The union warned later that the settlement would be of "short duration" unless management "radically changes its attitude to industrial relations".

Mr. David Lewis, the GWU's general secretary, added that management could expect further conflict if it continued to treat every worker grievance as "evidence of provocation and agitation" and continued to "involve the police in industrial relations".

Let out on bail

The strike was sparked off last week when police arrested five union shop stewards on charges of breaking and entering and malicious damage to the hostel manager's office.

They have been let out on bail and their trial was adjourned to next week.

Mr. Evert Claassen, Everite's personnel director, said in a statement that management had "consistently refused" a GWU demand that the charges should be withdrawn or that it cancel internal disciplinary hearings.

The parties had agreed that a "task force" of management representatives, hostel residents and the Western Cape Development Board investigate worker allegations about the hostel.

He said he was "satisfied" with the agreement as the company was "not prepared to condone criminal actions or relinquish its inalienable right to exercise discipline".

Legal action by union

While the strike was "unfortunate and unnecessary", management was willing to continue negotiating a recognition agreement with the union in a "spirit of goodwill".

Mr. Lewis said the union would take legal action against the company if an appeal against the dismissal of another shop steward tomorrow failed.

He added the company had further agreed to an "urgent investigation" into the "acute grievances" of workers living in the hostel by three shop stewards and three management representatives.
Imported cement is here to stay

Property Editor

IMPORTS of cement from Spain will continue, in spite of R13,40 a ton price cut announced by Natal Portland Cement earlier this week. A spokesman for Cement Enterprises, which is importing the cement, said in Durban yesterday the 35,000 tons, which is being unloaded at A Shed, is only the first shipload of a year's programme for a 500,000 tons.

Cement Enterprises parent is Gearbulk, the international shipowners who own 50 percent of the world's specialist tonnage. It is this motivation that led them to allocate ships to the Durban run.

They serve South Africa with huge movements of coal, paper and other bulk products and provide both exports and imports so the cement scheme fits in well for them.

Natal Portland Cement said this week Natal needs about 13m tons a year, but its capacity falls far short of this, leaving them the options of imports or the high cost railage from Transvaal.

This gap in supply was recognised by CE who planned to fill it and have spent a year preparing for the marketing operation which began this month.

The CE spokesman claimed the imported cement has characteristics which offer distinct advantages for faster working to builders, contractors and precasters.

They claim the imported cement is 2.5 times stronger than the local requirement and has a much faster drying time.

The fact the imported cement achieves high strength so much quicker means that form-work, flying forms and shuttering can be stripped as much as two days ahead of current schedules on some sophisticated high-rise projects, said the spokesman.

This sort of advance is a material benefit to a building industry currently under siege, but getting ready for the inevitable boom at the end of the present economic difficulties.
Elgin Glass will provide supplies to Hulett company

JOHANNESBURG — The Murray and Roberts group has extended its glass interests.

In a statement released yesterday, M&R announced an agreement had been reached regarding supplies by its subsidiary, Elgin Glass, to Hulett Glass and Aluminium.

In terms of the agreement, Elgin Glass will supply flat glass to Hulett Glass and Aluminium. Hulett Glass and Aluminium fabricates products in glass and aluminum for both the domestic and industrial markets.

Following the announcement of the deal in Johannesburg, Elgin Glass managing director Mr Shane Moore said his company would absorb all the glass stocks of Hulett Glass and Aluminium. These are concentrated in the Johannesburg, Durban and Cape Town areas.

Mr André van Niekerk, head of Hulett Glass and Aluminium, said “We have been keen to concentrate our full efforts on developing the aluminium fabrication and contracting side of our business, which is where our strength has traditionally been and where we see major growth opportunities.

“Hulett Glass and Aluminium will, however, continue to operate as glazing contractors,” he said. “Furthermore Hulett will be able to supply Elgin with domestic aluminum products, of which they are merchants to the consumer market.”
RAW-material suppliers are coming under pressure from low-cost imports and declining investment in building. Real investment is expected to fall by more than 5% this year.

Steel, cement and tile imports are threatening SA manufacturers who are calling for tariff protection.

Sam van Colter, director of the Steel and Engineering Industries Federation of SA (Seifisa), says “A factor inhibiting any short- to medium-term improvement in domestic demand for structural and fabricated steel products is the continuing inflow of low-priced imports — in spite of tariff and quota barriers. "Imports are unacceptably high and cannot be absorbed without seriously damaging SA industry.”

Transport

Similar complaints come from cement producers.

Although demand for cement remained high in 1983 — rising to 8 million tons from 1982’s 7.5 million tons — and continued to climb in the first quarter of this year, the threat of cheap imports has caused the industry to seek assistance from the Board of Trade and Industries.

Another factor which militates against producers competing with imported cement, especially those based at the coast, is the cost of transport. Cement can be imported from Japan for between R13 and R15 a ton. Railage costs from the Transvaal to Durban are about R60 a ton.

More foreigners are considering competing in the SA market.

French suppliers are also casting their net wider in Africa. They are no longer content with exporting to their traditional markets — the oil producers and former French colonies. They are now looking at South Africa for business.

A spokesman for a group of French exporters says this drive is paying off. "Like other French exports to SA, deliveries of building components and materials are increasing.”

Third largest

Sales of building technology will not be ignored. The French also plan to export their advanced method of industrial construction. This explains why seven French companies will take part in this year’s Interbou exhibition at Milner Park, Johannesburg, from August 20 to 25.

Francois is in a strong position to attack the SA market because it is the world’s third-largest exporter of building materials. The building industry is the biggest sector of the French economy and accounts for a third of gross national product.

Among the seven French companies exhibiting will be Enaux de Braire, which specialises in ceramic tiles for floors and walls.

Sogered Artisch supplies special paints and Solvay of Paris, high-resistance PVC sheeting. Cofra of Chateaux-Renault specialises in prestressed concrete and."

Dear money

South Africa’s building industry is being battered by high interest rates.

This is not the only threat to an early recovery in the building sector. The Steenberg Bureau for Economic Research says “With interest rates in the money market still very high, it will either force building societies to cut back further on the granting of bonds or to increase their mortgage rates.

“Both such developments, given the relatively low rate of increase in salaries and wages in the private sector, must have a negative impact on the ability of individuals to afford housing. The current low savings rate of individuals will not help.”

Figures from the Central Statistical Services show that activity in the building sector is not as healthy as one would expect. Plans passed in May were valued at a little more than R232 million — only 2.1% more than for the comparable period last year.

This should be viewed against the more promising performances of the two previous months when compared with last year’s March and April figures.

Buoyant

Statistics show a 9.1% increase for March and 22.3% for April in the value of plans passed.

With the number of plans passed for houses down from 15,013 to 14,491, the value fell 3.1% to R54,827 million in the first five months of this year.

However, total residential plans rose 7.5% mainly because of an increase in the number of flats and other dwellings that were passed from January to May.

The number of houses completed rose from 10,897 to 12,236. The value of flats and other buildings completed dropped almost 7%.

According to BER statistics, tenders for houses have maintained a 12.2% average monthly increase, reflecting buoyancy in the market.

French join cheap import attack on SA building
Protection case planned

Spanish cement dumped in in S A

Financial Editor

SPANISH cement is being dumped in South Africa at prices just above the factory price Mr Dave Baker, managing director of Anglo Alpha, said in Durban yesterday.

A case was being prepared for protection — and the allegations of dumping were submitted to Government, he said.

Last month, Durban-based Cement Enterprises said it would erect a bagging plant at the harbour and import cement from Spain and Japan which would be available this month at about 5 percent less than local prices.

A first shipment of 35,000 tons reached the port recently.

Meanwhile, Natal uses about 1.3m tons of cement a year with a large volume coming from the new kilns at Simuma outside Port Shepstone.

Mr Baker warned that cement absorbed moisture and its strength declined over time. Cement in the dryer Transvaal lost about 20 percent of its strength over three months and 30 percent over six months.

Estimates

The situation for cement shipped in bulk from abroad by sea and stored in Durban would be worse.

He said the best estimates were that cement from Spain cost $14.41 a ton at the factory, Western Transvaal cement cost $10.30 and Simuma (produced outside Port Shepstone) cement $15.68.

Transport costs would bring the Durban price to $27.61 for Spanish cement, $28.89 for Transvaal cement and $27.72 for Simuma cement.

Mr Baker said South Africa had surplus capacity of about 1,000,000 tons and the planned expansion of 2,000,000 tons a year (within two years).

Hong Kong

Hong Kong — Gold in Hong Kong rose this week, the equivalent of 943 U.S. dollars an ounce yesterday to 360.79 dollars compared with Tuesday's 358.27.
Worker's dismissal: 70 out on strike

Labour Reporter

About 70 contract workers at a Blackheath concrete factory downed tools in the third strike in two weeks in protest against the dismissal of a fellow worker.

They went on strike yesterday after an independent mediator failed to resolve the dispute between the company, PA Concrete, and the workers.

The General Workers' Union, which represents the workers, said the mediator, Mr. Johann Maree of the Department of Sociology at UCT, had recommended to the company that it reinstate the dismissed worker, but the company rejected this.

The managing director of PA Concrete, Mr. J. Stone, said in a statement that the company was "convinced the dismissal was fair and justifiable, both in terms of the most recent judgments of the industrial courts and in terms of common law."
60 lose jobs after striking

By RIAAN DE VILLIERS
Labour Reporter

ABOUT 60 contract workers have lost their jobs after going on strike at a Blackheath concrete plant this week and are due to be sent back to the homelands at the weekend.

Their dismissals became effective yesterday when workers rejected a management ultimatum to apply for re-employment and collected their pay packets instead. They have refused to return to work — or apply for re-employment — without the reinstatement of a recently fired worker.

"Contemptuous"

The General Workers' Union, to which most of the workers belong, said yesterday that the workers were "contemptuous" of management's attempts to divide them by selective re-employment and to "threaten" them with eviction and return to Transkei.

"They say they have lived without food before and they can, if necessary, live on water for another 10 years rather than capitulate now," it said.

Mr John Stone, managing director of PA Concrete Products, confirmed that workers had been "effectively dismissed" when they took their pay packets.
Cement dumping charge is denied
ABOUT 600 workers at Consol Limited in Pretoria West downed tools yesterday over demands for better pay.

A spokesman for the South African Allied Workers Union (Saawu) said trouble at the glass containers manufacturing factory started after negotiations for about R1 across the board hourly increases had ended in a deadlock a few weeks ago. Workers at the company, he said, earned an average of R1.68 an hour.

The public affairs manager at Consol, Mr Bruce Stewart, confirmed the strike yesterday. He, however, would not reveal other details as his company and union officials were still engaged in negotiations to resolve the dispute.

**Demands**

Said Saawu “Realising that management would not come to terms with our proposal for a R1 increase, we reduced the workers’ demands to only 70c. But still this did not help us win the battle because officials said they would not offer anything more than 24c.”

The spokesman added that Saawu later declared a dispute with the company and even want to the extent of hiring a mediator from an independent organisation in a bid to solve the problem. The services of this agent ended last week on Monday and the company resolved to stage a work stoppage.
Corobrik cuts back production

By Frank Jenkins

The recession is biting into brick production, with the country's major producer, Corobrik, making big cutbacks in output at six Transvaal factories and 13 plants nationally, as well as retrenchment in the past two months of 750 workers.

"This was said by Mr Cedric Savage, managing director of Corobrik's holding company, Toncoro, at the commissioning of the first tunnel kiln at the group's new Rietvlei factory near Pretoria, which will eventually bring a further 80 million bricks a year to the market.

"Unit sales in the Transvaal are about 13 percent lower than the same period last year and stockpiling is occurring at most of our factories," he said.

"With the cost of money at 25 percent, it is not possible to stockpile for any length of time and it has become necessary to either close or substantially reduce output of certain plants."

Given these conditions Corobrik is showing considerable faith in the future for, despite the slump and money freeze, it is proceeding with plans for a massive build-up in brick production.

Apart from the R30 million spent on Rietvlei, the group is going ahead with new factories at Avoca in Durban and at Koelehof near Stellenbosch in the Cape, representing a total development cost of about R22 million.

The Corobrik expansion has been a boon for German brick-making plant company, Keller, which installed the Rietvlei production lines and electronic control equipment.

Keller and Corobrik have signed-up for plant installation at Avoca and the German group is also tendering for the Cape project.
Chest's carnival drive

Staff Reporter

THE acting mayor of Cape Town, Mr Leon Markovitz, officially opened the Community Chest's Carnival fund-raising drive at a function at the Civic Centre on Tuesday night.

The carnival, which will take place next year on February 28 and March 1 and 2, forms a large part of the Chest's income towards the next target amount — R2,1 million.

This year the carnival, always held at Maynardsville, raised R325 000 for welfare care and services in the Western Cape.

The foreign communities of Cape Town always make a substantial contribution to the target with last year's figures at R22 000 from the Scandinavian stand, R17 500 from the Dutch, R14 500 from the French, R11 000 from the Italian, R10 000 from the Belgian and R9 000 from the German stand.

With the carnival drive now open, Mrs Siera Hanna, the carnival boom, but compared with its increased capacity, sales were now 17 percent below current production levels.

This was worse than the national average which was currently about 13 percent below capacity, indicating that the Western Cape was one of the hardest hit areas in the country.

"We are bitterly disappointed that after the efforts of so many of our staff to meet market demands, the situation has turned around dramatically, forcing us into a situation whereby cutbacks are necessary," Mr Bounds said.

Mr Bounds said that after the retrenchments, the company had had where possible relocated employees at other plants within the group, keeping the number that had to go at a minimum.

The company had a seven-week stockpile in spite of current interest costs and intended to maintain this stock level as a cushion against a sudden upturn in demand.

Three men rowed...
Corobrik expects to cut production

Own Correspondent
DURBAN — The giant brick manufacturer Corobrik expects to have to cut production in Natal further and possibly lay off more workers within the next few months because of the slump in the building industry.

The company had already reduced production and laid off "a number" of workers at its plants in Northern Natal, according to Tongaat-Corobrik Group managing director Cedric Savage.

Trend

"The trend is there and we can expect it to get worse over the next six months. We've had to cut back at some of our upcountry plants like Vryheid from a two-shift to a one-shift operation.

"We expect 1985 to be a tough year, and further reductions in production could happen," he said.

"In Natal, the market is still relatively strong, compared to the rest of the country, and we think we will have relatively good demand until after the builders' Christmas holiday."

"After that we expect a rapid reduction in demand."

Production was already greater than demand in Natal and "a limited quantity" of bricks were being stockpiled, Mr Savage said.

"But up here the increase in the stockpile is comparatively slow compared to places like the Western Cape. We are looking at closing a factory in Paarl, we commissioned a year ago and putting it in mothballs."

On the unforeseen strength of the Natal market, he expanded "One of the development markets has been alterations and additions to private homes. The residential market is still proportionately high in Natal."

Mr Savage's outlook was not altogether bleak.

"We expect the beginning of an upswing about August next year and interest rates to start dropping in February — by how much is anybody's guess — and a recovery should follow about six months later."

26/10/84
650 workers dismissed from company in Rosslyn

By Andrew Beatte,
Pretoria Bureau

The entire workforce of 650 at the Continental China company in Rosslyn, Pretoria, was reported to have been dismissed yesterday after some had refused to work overtime and the rest downed tools.

The report came from the South African Allied Workers Union.

There had been an earlier stoppage by the workers when their wages were reduced from R2 an hour to R1.78 an hour while their daily working hours were also changed, resulting in an extra 2½ hours of work a week.

A SAWU spokesman said that workers in three departments last week received instructions to work overtime on Saturday but refused.

On Monday an instruction to work overtime was repeated, and the workers again refused.

When the workers arrived yesterday they were told they had all been dismissed and the other workers downed tools in support of their reinstatement, the spokesman said.

The company's management stated it had been operating at a substantial loss during the past 18 months due to increased employment costs without an increase in productivity.

The working hours had been reduced from 46 to 40 hours a week "without any reduction in the weekly take-home pay."

Staff were then asked to work a 45-hour week.

Since then, production has frequently been disrupted due to stoppages and the company has been forced to cease operations until further notice, said a management spokesman.
Entire staff of 650 fired

Post Correspondent

Johannesburg — A company in Pretoria yesterday fired its entire staff of 650 after some refused to work overtime and were dismissed and the rest downed tools in a show of support.

A spokesman for the South African Allied Workers' Allied Workers' Union said the union had been informed by the management that Continental China was closing down the factory.

An SAAWU spokesman said workers of three departments received orders to work overtime on Saturday and again on Monday, but they refused.

When they arrived at work yesterday they were told they had been dismissed. All the other workers then downed tools.
Cement war may spread to Reef

Financial Reporter

IMPORTED cement will be ruled to the Transvaal this week in a move that seems certain to set off another round in the 'cement war' that has been confined to Natal.

Making the announcement in Durban, Mr Tony Cadman, spokesman for Cement Enterprises, the importers of Ace Cement, said: 'The move has virtually been forced upon us by the cement "cartel" who have continuously forced prices to drastically low levels in Natal to thwart our challenge, so that it is now more profitable to sell to the Reef.'

'We've always made it clear that our presence in South Africa has been to fill the cement shortage in Natal, but the cartel has used Transvaal for some time to subsidise their opposition against our presence in Natal to the extent that a pocket of cement on the Reef now costs R4.24 and R3.60 in Ladysmith.'

Target

Coupled with numerous requests and inquiries that Cement Enterprises had received from the Witwatersrand and the more attractive prices available there, it was a logical step to promote their product on the Reef, he said.

'Nonetheless, our basic target is still to extend our 20 percent share of the Natal market.'

The first shipment of several hundred tons which leaves Durban by rail on Monday is for a large construction company.

Since August, when Cement Enterprise's first shipment of 30 000 tons arrived in Durban, the scramble for markets has intensified between the local grouping, Natal Portland Cement, and the importers.

'Dumping'

Natal Portland Cement general manager Mike Doyle recently likened the scramble to 'trench warfare' and said there was little chance of a truce.

Cement Enterprises have kept a relatively low profile, apart from announcing price reductions and defending their quality of cement, but their challenge was underlined last month by the arrival of their third shipment of 30 000 tons of cement. Previous consignments have been from Spain.

Meanwhile, Mr Doyle, who has repeatedly claimed that Cement Enterprises are 'dumping' the cement in South Africa, said last week that Natal Portland Cement had applied to the Board of Trade for 'protection' on the grounds that imported cement was harming the local industry.
Big Three face R20m cement war loss

By Don Robertson

The three major cement producers — Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alpha — will lose about R20m a year in the Natal market if the price war continues.

Erich Frolich, sales manager of Cement Enterprises (CE) which has taken on Natal Portland Cement (NPC) in a price battle in Natal, claims that the decline in prices since August — from about R68 a ton to R70 a ton — is costing the majors about R1.6m a month. Natal uses about 1.3m tons of cement a year — 6% of SA’s market of R250m.

Reef move

To counteract price cutting by NPC, which is owned jointly by the majors, CE has raised its first load of cement to the Witwatersrand.

Mr Frolich says: “We have bettered the price which people on the Reef are paying and will continue to supply to this area while demand lasts and it is still profitable.”

The intensity of the price war has prompted NPC to apply to the Board of Trade for a dumping charge to be laid against CE.

CE imports its cement from Spain, selling it under the name Ace Cement. To date it has imported more than 100,000 tons.

Quality

Explaining his decision to lay a dumping charge against CE, Mike Doyle, general manager of NPC, says it must be proved that the cement is being sold at below the Spanish selling price and that it is hurting the South African industry.

The Spanish price, he says, ranges between R35 and R40 a ton according to grade and that the imported product is in the upper-quality range. In addition, SA producers have been forced to reduce prices to R70 a ton, about the same as in 1978.

Since its first application to the Board of Trade, Mr Doyle has had to make an amended statement as the last CE shipment originated from Japan.

Hobby

“It is becoming a hobby by the Board of Trade, but I don’t expect a reply for about four to six weeks,” says Mr Doyle.

Mr Frolich says his decision to sell on the Reef was sparked by the ridiculously low prices being charged by NPC in the Natal area. The price a bag at PPC’s Lichtenburg plant is R1.65, but it is being sold in Maritzburg for R1.35. Railage to Maritzburg costs R1.35 a bag, which is being absorbed by NPC.

Reacting to CE’s attack on the Reef, Charles Shallman, commercial director at PPC, says: “They must be doing it as a hobby — they can’t be making any money.”

The price charged by the major producers on the Reef is R68 a ton, but shipments from Durban is R35 a ton and railage costs R6, which would leave CE with a price of only R45 a ton in Durban.

“I can’t see how they can do it, but I doubt we will cut prices in Johannesburg.”
Cement prices up 9% — despite surplus

By PRISCILLA WHYTE
CEMENT prices have risen by an average of 9% since January 1 despite a surplus and competitive imports.

Mr Peter Kett, commercial director of Blue Circle, said the combined production capacity of Pretoria Portland Cement, Anglo Alpha and Blue Circle was 11 million tons against consumption of 8 million.

He said local producers had held cement prices in Natal, while prices in the Transvaal had risen between 10% and 11% depending on destination.

Blue Circle would bring a further 500 000 tons on stream in April while PPC was scheduled to commission plant for another 500 000 tons early next year.

The last cyclical upturn in the demand was 1969/1971 when there was a need for 40% more cement and annual consumption rose to 8 million tons.

Since then consumption has averaged about 8 million tons a year.

Mr Kett saw the next cyclical upturn from the end of the year.

Cement Enterprises (CE), the Durban-based importer of Spanish cement, which started operating in the Natal market in August, is now ruling cement to the Transvaal for the first time due to "customer demand."

Mr Kett said the importer had entered the Transvaal market because "of an inability to sell in Natal."

Mr Tony Cadman, of CE, alleged that Transvaal consumers of locally-produced cement were subsidising Natal users.

He added that CE was distributing cement to the Transvaal market because a single Natal customer had made a request for service in the Transvaal.

"CE has only entered the Transvaal market because it is profitable to do so."

Blue Circle is selling cement from the Western Transvaal's Lichtenburg works for R3.60 a pocket, with railage to the Witwatersrand at R4.24 a pocket.

CE is matching this price.

Mr Cadman said CE had more orders than it could handle and did not envisage making a major thrust in the Transvaal in the near future.

He added that he expected demand for cement to pick up this year.
De Villiers promises tough action

Industry warned on price-fixing

Financial Reporter
A SHARP warning about price-fixing was given to the tyre, cement and fertiliser industries yesterday by Dr Dawie de Villiers, Minister of Trade and Industry.

He said that the Competition Board was preparing to deal severely with this sort of arrangement.

Dr De Villiers said in Cape Town that statements by competitors announcing uniform price increases have recently attracted wide attention.

"Conspicuous examples of such price increases were those in respect of tyres, fertilisers and cement.

"These announcements are often made by associations representing many, if not all, manufacturers of particular products.

"Such joint price increases give rise to a good deal of justified objections.

"The question is quite rightly asked how such an apparent elimination of competition could be tolerated within the context of a policy of effective competition.

"The big three producers in the fertiliser industry, apart from Sasol, are Fedmis, Triumph and Kyneoch.

"They recently announced identical 25% price rises with a similar pattern of rebates.

"The Consumer Council referred to an "unhealthy monopoly" in the industry and called for a major investigation.

"Price control in the industry was abolished in January 1984.

"The South African Tyre Manufacturers' Conference, an effective cartel, announced an 8.1% rise in the prices of tyres and tubes from December 27.

"The cement industry is facing major competition in Natal from imports but there have been allegations that the big three domestic producers, PPC, Blue Circle and Anglo Alpha, have been combining through Natal Portland Cement to combat imports by making price cuts aimed at eliminating competition.

"Dr De Villiers said, "The Government views this development in a very serious light."

"I therefore deem it necessary to again invite attention to the Competition Board's announcement in the Government Gazette of November 30, 1984, that it was to embark upon a new and important investigation.

"Basically this investigation embraces agreements or arrangements establishing any form of fixing prices (or other conditions of sale) horizontally (that is, between competitors) or vertically (for example, between manufacturers and retailers).

"- Market sharing,
"- Collusion on tender practices

"Dr De Villiers said. "The purpose of this investigation is to determine whether these agreements or arrangements, with or without exceptions, should summarily be prohibited.

"Should such a prohibition be recommended by the board and be accepted by the government, any prohibited price-fixing, market sharing or tender practice collusion would constitute a serious offence.

"I have instructed the board to give very high priority to this investigation.

"The board is currently awaiting comments from interested parties and I, therefore, urgently appeal to all concerned to give their full cooperation to the board.

"When the board's report and recommendations have been received, appropriate action could be expected soon thereafter."
Brick production to be cut back?

EAST LONDON — Border and Eastern Cape brick manufacturers said yesterday they would cut production if the slump in the building industry continued.

The manufacturers, clinging to the hope the subdued market would improve, said they were trying to hold on to their semi-skilled employees.

But, if activity did not pick up in the next three to six months, extensive lay-offs would follow and one manufacturer even said he would consider closing down.

One of the major manufacturing companies in the Eastern Cape, Corobrik, announced that it was cutting production at its Grahamstown and Port Elizabeth brickfields by 15 per cent.

The Eastern Cape press relations officer for the company, Mr Geoff Bird, said the cut-back in Grahamstown would be achieved by the retrenchment of 10 workers across board. They will be laid off on a last hired, first to go basis.

The company would achieve cut-back in production at the Port Elizabeth branch by stopping overtime.

Mr Bird said Corobrik had been stockpiling in the hope that building activity would improve. This had become neither feasible nor economically viable in the financial situation.

One of the owners of a Stutterheim company, James Brick Works, Mr Peter James, said they had been hard hit by the slump.

"There are few projects on our programme and some of the contracts we had have been cancelled." Mr James said that many semi-skilled workers, who were hard to come by, had been standing around idle for days.

An aggravating factor was that the company did not receive any of the industrial incentive concessions that many other companies had in the area.

The managing director of an East London-based manufacturer, Rek Bricks, Mr Mike Wilkins, said there had certainly been a noticeable quietening of the market in general terms.

"But fortunately activity in Ciskei and Transkei has not been badly affected," he said.

Mr Wilkins anticipated no cut in production for the next three to six months.

"We have a long order for face bricks and there has been only a slight drop in the demand for plaster," he added.

Commenting on the signs of a downward trend, the executive director of the Brick Development Association (BDA), Mr Brian Moorhead, said that it was unfortunate, but that the brick industry suffered like the other building supply manufacturers from the cyclic nature of the construction industry.

"The brick industry was hard pressed 12 months ago to supply in the space of a year the trend has been totally reversed," Mr Moorhead said. — DDR.
Knives out in the cement war

By PRISCILLA WHYTE

The cement war has intensified with a local producer, Anglo-Alpha, accusing the importer, Cement Enterprises, of being linked to Norcem, the Norwegian international cement cartel.

CE denies the accusation and is planning to expand its packing capacity in Durban harbour through which it imports cement for sale on the Natal market.

The company complains that SA producers are trying to thwart its entry into the Natal market by cutting prices.

"CE, the importer of Ace cement, is wholly-owned by Gearbulk of Norway. This company is probably used as a front for Norcem, the international cartel," claims Mr Dave Baker, the managing director of Anglo-Alpha.

He says that for Norcem to complain about local pricing when it has dumped cement on the market is the height of arrogance.

"Norcem has undoubtedly dumped cement on the South African market, but the Norwegians have a $23-a-ton dumping duty on cement supplied to their own country," says Mr Baker.

As there is no Government protection in the form of a dumping duty, the South African cement industry must protect its mammoth investments and maintain market share.

Mr Tony Cadman, a spokesman for CE, says Mr Baker is wrong to claim CE is wholly-owned by Gearbulk.

The company is jointly owned by Gearbulk and a Spanish manufacturer, Compania Valenciana de Cementos Portland, he says.

"I don't know of any connection with Norcem."

He says accusations of a world monopoly are rubbish when superior or standard-specification cement is available at competitive prices from 20 factories worldwide.

He denies CE is dumping cement and says "Spanish and Japanese cement is purchased at bulk prices, which is not dumping."

CE is loading the Toki Arrow with 35,000 tons of cement due to arrive in Durban on February 20.

"We are just finishing an engineering study to increase the Durban packing capacity, which is currently 1,000 tons a day."

Mr Cadman believes the packing facility will probably be a floating factory barge rather than a site on shore.

Its storage capacity will be between 40,000 and 70,000 tons.

Mr Cadman says that it is interesting to bear, "squeals of a monopoly when at long last local manufacturers are being challenged by free enterprise. I don't believe the government will fall for that one, the customers certainly won't."

This week the director of the Consumer Council, Mr Jan Cronje, said allegations of price manipulation and cartel-forming in the cement industry would be investigated as soon as possible.

Mr Baker says Natal Portland Cement, only recently commissioned a R56m clinker plant near Port Shepstone, Natal, it has been built to meet local demand and, "this strategic investment should not be allowed to be jeopardised in any way by the dumping of cement."

Mr Baker says it is unfortunate that CE has been encouraged to import cement as a direct result of predictions by the Building Industries Federation (Bfsa) of the biggest building boom ever.

"Bfsa did not discuss their optimistic forecasts with South African cement producers. Bfsa has not accepted past invitations by cement companies to visit production units around the country and so be assured of the ability of producers to meet projected demand."

"The growth of the building industry and demand pattern for cement are always carefully monitored by the local producers. At present, the national demand is for 8-million tons a year. Combined annual production capacity is about 11-million tons."

"Also, further capacity of 600,000 tons will be available on the market during 1986 says Mr Baker."

Nobody was available at Bfsa to comment yesterday.

CE entered the Natal market at a time when Pretoria Portland Cement, Anglo-Alpha and Blue Circle were feeling the strain of hefty capital expenditures.
Cement, tyre majors admit price pacts

INDUSTRIES threatened with legal action for alleged price fixing are not worried.

The warning, first given in November by the Competition Board, has been repeated by the Minister of Trade and Industry, Dawie de Villiers.

The Competition Board is investigating alleged price agreements or arrangements, market sharing and collusion in the cement industry. If the board's findings are accepted, company managers could be charged. The penalties are a maximum fine of R100,000, or five years' imprisonment, or both.

Examples

Dr de Villiers singled out the tyre, fertiliser and cement industries which have announced uniform price increases.

The tyre industry has admitted that it operates a price cartel, and the largest cement producers agree that they collude on prices. Fertiliser manufacturers deny the allegations.

Mike Watson, executive director of the South African Tyre Manufacturers Conference, says Dr de Villiers' statement that we are a price cartel is true — we do fix list prices.

Tyre and tube prices were increased by all manufacturers by 2.5% on December 27.

Mr Watson says the tyre industry has for many years fixed a common list price, but the practice has been accepted by the Government.

Portland Cement (PPC) concedes that three major producers — PPC, Blue Circle and Anglo Alpha — fix prices, but says they are usually announced individually.

The price of a pocket of cement on the Reef was increased by 12.6% this month to R6.24 from R3.74. Prices in other centres, however, differ because of varying transport costs from the factories.

The majors have also confirmed to cut prices in some Natal areas to beat the threat of imported cement.

Mr Holfman says "Our main motivation for price collusion is to provide a climate suitable for us to recover costs in what is a capital intensive industry.

It takes up to four years to establish a cement manufacturing plant, which can cost over R300 million."

Price war

The cement industry will also present its case to the Competition Board soon.

The fertiliser industry denies that it gets together to fix prices. Both Fedman and AEC's Kynoch say that the accusation is unfair, with Kynoch pointing to a price war in the Cape.

On January 1, all the major producers, with the exception of Sasol, increased prices by an average of 20% and all offered a similar early delivery rebate system.

Sasol's prices are, however, expected to follow those of other producers.

Monopoly

He says that raw material prices increase for all producers at the same time.

"There's a monopoly on the supply of raw materials, from rubber to nylon. Retail price maintenance was abolished in 1978, but manufacturers' price maintenance was left alone."

The tyre industry will make representations to the Competition Board before March 31.

Charles Holfman, commercial director of Pretoria Tyres.
600 to lose jobs in glass industry

Staff Reporter

The entire staff of an Epping glass components factory, about 150 employees, will be laid off on Friday following the nation-wide withdrawal of Murray and Roberts from the glass industry. Murray and Roberts, which owns Elgin Merchandising, announced on Monday that it was closing down the company and divesting itself of its interests in the glass industry. The move will cost an estimated 600 people their jobs nation-wide.

Speaking from Johannesburg yesterday, Mr. Andrew Chapman, a Murray and Roberts executive, said his company would "obviously try and re-employ people, but when it comes to blacks it is very difficult."

The Epping branch of Elgin Glass (Cape) employs about 100 coloured labourers.

Elgin Glass held a share of just over 20 percent of the glass market and their major competitor, Pilkington Glass, were "just too big to compete with - we were losing money," said Mr. Chapman.

A number of administrative staff would remain "as long as necessary" and the company would eventually shrink to a single credit controller collecting debts in about four months time, he said.

Regional directors in Elgin Glass had all been offered jobs with Murray and Roberts, Mr. Chapman added.

The move is expected to provide a major boost for small glass component companies which will probably absorb much of the skilled labour from Elgin Glass.
178 Corobrik workers are retrenched

Property Editor

THE South African brick-making giant, Corobrik, has retrenched 178 salaried staff — most of them white — throughout its 51 factories, it was announced yesterday.

A statement said the redundancies represented a 15 percent cutback in the salaried staff and follows decreased production at 30 brick factories, the closure of six factories and the previous retrenchment of 1,200 weekly-paid workers.

Mr Cedric Savage, managing director of Toneuro, said in the statement that the retrenchments had become necessary because of the decline in the demand for bricks, which had accelerated from September last year onwards.

"Historically, the brick manufacturers in this country have been faced with a cyclical feast or famine situation, causing a very difficult and unstable operating environment," he said.

"Current weekly sales for the brick industry are estimated to be 40 percent down on the same period last year. Brick stockpiles at Corobrik have increased to more than 240 million bricks."

Mr Savage added: "It is important that the staff complement relates to the size and needs of our business and we will use this difficult period for staff training and improved productivity which will be to the benefit of our customers."

Meanwhile, the civil engineering industry in Natal reports that it has been encouraged by reports that massive works on the province's freeways is to continue.

Mr Keith Beard, secretary of the Natal region of the South African Federation of Civil Engineering, said work was expected on the route from Durban to Empangeni and on the N3-
MORE THAN 540 employees of Pilkington Tiles in Meyerton yesterday went on strike over several issues, including wages and demanding an urgent meeting with the company's chairman who is visiting South Africa from overseas.

The workers said that they were promised two pay increases — one in June and one in December last year — and management has failed to fulfill its promises. They have also been working shorter hours and this has affected their pay packets.

They asserted that following the two day stay away from work their bosses have forced them to work shorter hours because they wanted to retrench them. The company has refused them permission to meet Mr A N Smut who is the company's chairman from Great Britain.

The workers' grievances are Management's delaying tactics to recognize the Building and Construction Workers' Union, threatening to dismiss workers who belong to the trade unions, no channel of communication and low wages.

The company's manager, Mr D B Curran, said they were prepared to increase the workers' pay, but in the light of the economic situation they could not meet the workers' demands in full.

Referring to the union rights, he said they were holding talks with the union on the possibility of recognition. He also said that there was misunderstanding on meeting and talking to Mr Smut. He hoped to resolve the matter soon.

Meanwhile more than 500 medical students who had refused to return to Durban's King Edward VIII hospital for training, went back yesterday, according to the hospital's superintendent, Dr Justin Morphonious.

He said the situation has returned to normal at the hospital and all workers who had been sacked following the strike, had been reinstated.
Cement men reject price allegations

By Physicat White

Business Day

21/22/1983

The cement manufacturers are at loggerheads over allegations that they are fixing cement prices and acting in a collusive manner. The Competition Board is investigating the allegations, and a report is expected soon. The Board has been investigating the cement industry for several months, and it is clear that there is a need for more regulation of the industry. The competition authorities have already imposed fines on some cement companies for anti-competitive practices. The cement manufacturers are expected to challenge the allegations in court.
Brick firm to
retrench 239

Corobrik is to retrench
239 workers by the end of
March, when it shuts its
Roodepoort factory.

And the firm, faced
with a drastic decline in
the demand for bricks, is
expecting more shut-
downs in April and May.

The closure was due to
the slump in the building
industry, said the manag-
ing director of Corobrik,
Transvaal, Mr Errol
Rutherford.

"We have tried to keep
retrenchments to a min-
mum."
Blackheath china plant

Staff Reporter
A CHINA factory has closed its Blackheath plant because its entire workforce is on strike.

About 470 workers downed tools on Tuesday when talks on workers' demands between Continental China's management and the SA Allied Workers' Union, of which about 80 percent of the workers are members, ended in deadlock.

SAAWU organiser Mr. Albert Whittles said today workers were demanding:
- A minimum wage of R2 an hour
- That workers dismissed from Continental China's Rosslyn plant near Pretoria for "refusing to work overtime" be reinstated.
- That a worker transferred from the Blackheath plant to Rosslyn to train new workers be withdrawn immediately, and
- That management scrap its worker-liaison committee in favour of a workers' committee.

Willingness

Mr. Whittles said that during talks, management had indicated a willingness to negotiate a minimum wage, the withdrawal of the transferred worker and abolition of the liaison committee, but was not prepared to negotiate the reinstatement of the dismissed Rosslyn employees.

Continental China's managing director, Mr. Bill Peverell, said negotiations ended in deadlock when management "could not meet the workers' demand for a minimum wage of R2 an hour."

He said management was willing to negotiate on wage increases, however, and had already promised workers an April increase.

Although management had "consistently offered" to re-employ as many of the sacked Rosslyn plant workers as possible under current economic conditions, this offer had been "consistently rejected."

He confirmed management's willingness to scrap the liaison committee and replace it with a SAAWU workers' committee.

"In view of the fact the Blackheath workforce has refused to work until union demands have been met and the union's refusal to negotiate the wage demand, I have no further option but to reluctantly close the plant until further notice," he said.
Corobrik opens hi-tech factory

The economic downturn has not dampened the confidence of Corobrik, South Africa's leading brick manufacturer, in the country's building industry.

This week its R30 million Rietvlei factory, which will produce 81 million bricks a year, was officially opened.

It was built in 18 months using its own in-house design and project management and the expertise of local consultants and contractors.

The material preparation and brickmaking equipment is electronically controlled, with the technology coming from the US and West Germany, and machinery from West Germany, US, UK and South Africa.

The computerised planned maintenance system, which uses British software, is so advanced that it is expected to cut maintenance problems and costs dramatically.

Superior-quality face bricks and clay pavés will be produced for which, says Corobrik managing director Mr Errol Rutherford, there remains a strong demand despite the downturn.

Says Mr Rutherford: "As building standards become higher, the market for superior quality face bricks and clay pavers will increase. We decided to build a highly automated factory so that we could meet the demand for this category of facebricks."
450 strike at china factory

THE Continental China plant in Blackheath was closed down yesterday following a deadlock over a wage demand between the management and the South African Allied Workers Union.

According to a statement issued by the managing director of Continental China, Mr. Bill Faverd, the plant was closed after the entire workforce of 450 employees had refused to work until the union demands were met.

A spokesman for SAAWU could not be reached last night.

Mr. Faverd said the deadlock was reached at a meeting on Wednesday when management could not meet SAAWU's demand for a minimum wage of R2 an hour.

Management was willing to negotiate on wage increases and had already promised employees an increase with effect from April 1965.

The union had also demanded that employees dismissed last year at the Rosslyn, Pretoria, plant be reinstated.
New R30m plant as 193 brick output is slashed

By Don Robertson

COROBRIK Transvaal has slashed production by 30% and laid off more than 1,600 workers — but it commissioned a R30-million brick-making plant this week.

The new factory at Roetsville near Pretoria provides jobs for 228 workers.

Corobrik is reducing production at its Roodepoort plant and will close other brickfields in April and May. So far, it has closed three factories and reduced production at seven others.

The Roodepoort cuts affect 238 people and bring Transvaal retrenchments to 1,031 since December.

The company is trying to place workers at other factories which can expect higher output after a rationalisation programme.

Secure

Construction of Corobrik’s Avoca factory near Durban has been postponed, possibly for a year, and a development in the Western Cape has been delayed.

Managing director Errol Retherford says, “Benefiting from hindsight, it probably would have been advisable to postpone commencing of the Roetsville plant. But construction started 18 months ago and we have long-term commitments.”

Roetsville’s can make 81-million bricks annually, but it will produce about 72-million in its first year.

Corobrik’s production in the Transvaal will be about 70% of capacity in 1985.

Mr Retherford says, “Corobrik believes the long-term future of the building industry is secure and we will be ready to meet the upturn when it comes.”
An aerial view of Corobrik's new R30m brick factory in Rietvlei, near Pretoria, which was opened last week, indicating the company's confidence in the future of the building industry.

Corobrik confident of future

By Mervyn Harris

The official opening of the R30m Corobrik brick factory in Rietvlei, near Pretoria, last week is an indication of the confidence the company has in the future of the building industry.

As Mr Cedric Savage, chairman of Corobrik Transvaal, says: "It may seem a paradox that we are opening Rietvlei while in the grip of one of the country's worst recessions."

"With hindsight, this factory is being commissioned possibly 12 months ahead of its time, certainly 12 months ahead of the economy. But we cannot allow short-term booms or recessions to affect long-term planning."

For a brick factory such as Rietvlei, it takes four to five years to prospect for the raw materials, to acquire the land and to plan and implement the factory.

Although the short-term outlook is bleak, the quality of assets at the factory is among the best available in the world. The life of the factory will be much longer than the 30 years of clay reserves on the site.

The bleak outlook includes a 35% slump in current sales in the brick industry compared with the same time last year.

The effect of the recession on Corobrik has been to close nine factories and cutback production at 32 of the 51 factories in the group. More than 1,600 employees have been retrenched.

Mr Savage notes that since price control on bricks was lifted in 1983, the brick industry has expanded at a rate faster than in any other three-year period.

Within Corobrik alone, seven factories have been erected and two more bought and modernised. Total investment by Corobrik on improving production quality and output has been more than R30m. Investment by other brick companies in the past three years is estimated at more than R75m, bringing total investment to more than R160m.

This meant that there would be no shortage of bricks, Mr Savage says.
Factory dispute still deadlock

Workers at the Continental China factory were paid off on Friday afternoon as police members of the South African Allied (Sawwu) had tried to stop people collecting

The factory has been closed until further notice once union and worker representatives could not reach agreement on a minimum hourly wage of R2.

The 450-strong workforce came out on strike on Tuesday afternoon.

Managing director Mr. Bill Paverd said the company had lost R12m in the last two years and could not afford to pay the workforce a minimum of R2 an hour. He said that an increase had been due in April, but could not say what it would have been.

INCORRECTIONS

Mr. Absalom Balekele, chairman of the worker's committee, said that in 1984 the workers had gladly done without a Government increase and another company increase was due to them, but were now demanding a minimum starting hourly wage of R2.

Mr. Paverd said he did not know what the Government increase was.

About 80 percent of the workers are members of Sawwu.

At present the starting wage is R1.44.

Last Thursday afternoon employees of the factory were given letters stating that they would be paid off the following day at 3 pm.

PERSUASIONS

On Friday as the time neared, workers gathered round the entrance gate, where payments were to be made.

Mr. Zuzile Hamcwa, a Sawwu representative on the scene said union members were trying to persuade the workers to return.

Any money from the management because in doing so they would be losing their jobs.

"The union would like to return the solidarity shown by non-union members, who also came out on strike," he said.

When it became apparent that workers were going to receive two pay slips, they reported by saying, "We want one pay slip, not two. One is enough."

DISPERSE

About half a dozen policemen arrived and warned these workers who were not there to collect payment, that they constituted an illegal gathering and would get hurt if they did not disperse.

This had no effect on the 200-strong group, but when more policemen arrived, the workers split up and moved towards the nearby railway station.

About 50 workers then stepped forward to vol...
WORKERS at the Continental China factory in Blackheath were paid off on Friday afternoon as police looked on, after members of the South African Allied Workers Union (Saawu) had tried to stop people collecting their wages.

The factory has been closed until further notice, and union and worker representatives could not reach agreement on a minimum hourly wage of R2.

The 450-strong workforce came out on strike on Tuesday afternoon. Managing director Mr Bill Paverd said the company had lost R124m in the last two years and could not afford to pay the workforce a minimum of R2 an hour. He said that an increase had been due in April, but could not say what it would have been.

INCREASE

Mr Absalom Balekile, chairman of the worker's committee, said that in 1984 the workers had agreed to work without a ‘Government increase’ and another company increase, which were due to them, but they now demanded a minimum starting hourly wage of R2.

Mr Paverd said he did not know what the “Government increase” was.

About 80 percent of the workers are members of Saawu.

At present the starting wage is R1,44.

Last Thursday afternoon, employees of the factory were given letters stating that they would be paid off the following day at 3 pm.

PERSUADE

On Friday, as the time approached, workers gathered around the entrance gate, where police were to be made.

Mr Zuzile Hamcwayne, a Saawu representative at the scene, said union members were trying to persuade even non-union members to stop taking any money from the company because, in so doing, they would be losing their jobs.

The union would like to return the solidarity shown by non-union members, who also came out on strike, he said.

When it became apparent that workers were going to receive two pay slips, they were told by Mr Paverd that there was no money for two pay slips.

DISPERSE

About half a dozen policemen arrived and warned those workers who were not there to collect payment, that they constituted an illegal gathering and would hurt them if they did not disperse.

This had no effect on the 200-strong group, but when more policemen arrived, the workers split up and moved towards the nearby car park.

Workers then collected their pay packets, and when questioned by Cape Herald, at least six revealed that they had received two pay slips, an unemployment card bearing the number 2.

According to a key on the card, a representative said the reduction in staff.

PREPARED TO

Also contained in the pay package was a self-addressed envelope and a letter from the management. The letter was to be returned by those employees who were prepared to work under the prevailing conditions, if the factory re-opened.

In a statement released on Saturday, Saawu criticised the role of the police and called on the management not to involve them since this was a dispute between the workers and management.

Management were scheduled to have a meeting with Saawu and the workers' committee on Monday morning.
450 workers to be re-hired as factory dispute is settled

Staff Reporter

AN industrial dispute which closed Continental China’s Blackheath plant and resulted in hundreds of workers being dismissed has been settled.

The 450 workers sacked will be re-employed from next Monday with no loss of pension and service benefits, in terms of an agreement concluded yesterday by company management and the SA Allied Workers’ Union, which represents about 80 percent of the workers.

A minimum wage increase of 15 percent has also been agreed to, raising the minimum hourly rate of R1.44 to R1.80, according to a statement issued by Continental China. SAWU and mediators in the dispute, the Western Cape Traders’ Association (WCTA) had demanded R2 an hour.

NO OVERTIME

Management also agreed to discuss the issue concerning workers dismissed from the company’s Roosly (Pretoria) plant for refusing to work overtime.

The workers demanded that they be reinstated and that a worker transferred from Blackheath to train new recruits be withdrawn.

Management has already agreed to a fourth demand, that the worker-liaison committee be scrapped in favour of a workers’ committee.

The workers went on strike when negotiations for these demands foundered.

SAWU and Continental China expressed their appreciation of the role played by Mr K Allie and Mr H Esack of the WCTA in ending the dispute.

Mr Bill Paverd, managing director of Continental China, said he had not yet counted the cost of the plant’s closure since the strike began on March 5. He estimated it would take between seven and 10 days for the factory to resume full production.
Cement price steady but railage to rise

JOHANNESBURG — The cement industry is to hold most cement prices at current levels until January next year, although South African Transport Services (Sats) is increasing rail tariffs from April 1.

Sats, however, has introduced a structural change to its costing system of charging a levy of R2 a ton or 10c a pocket on cement railed over branch lines.

The cement industry intends passing this levy on in full to customers receiving cement from branch lines.

A branch line has been declared by Sats to be any uneconomic service on a line which requires the return of empty trucks.

Mr Berry Pawey, general manager of Cement Distributors of South Africa (CDSA) said there were four main areas of railage tariff increases.

These were the branch lines, railage outwards on bulk and bagged cement, railage inwards of raw materials and railage to factories in metropolitan areas far away from limestone deposits, but from which road transport was the preferred mode of delivery.

Over an average distance of 500 km conveyed outwards the current rail rate for bulk cement was R27.70 per ton, which would increase 7.6 per cent to R29.80 from April 1.

The tariff for bagged cement raised a distance of 500 km would increase 3.4 per cent to R27.95 from R27.03.

Railage to depots in the metropolitan areas would escalate 9.6 per cent from R14.50 a ton to R16.10. The distance was about 200 km.

On average, rail rates would increase 8.9 per cent — DDC.
65 million bricks unsold but price up 12.5 pc today

Colin Vineall
Property Editor

AGAINST a background of a mountain of 65 million stockpiled bricks, a closed plant and retrenchments, Corobrik Natal yesterday announced an average 12.5 percent price increase on all types of bricks.

It is the third rise within 12 months.

Prices went up in April last year by 7.75 percent and in October by 9 percent, giving a compounded hike, with yesterday's lift, of 32 percent.

Plaster bricks, formerly known as commons, will now cost R192.62 for 1 000 delivered in Durban, or nearly 17c a brick.

Corobrik managing director Mr Brian Waberski blamed increased costs, listing salary and wage adjustments, increased maintenance costs and the adverse effects of interest and exchange rates.

Explaining the latter, Mr Waberski said his company imported brick-making equipment and quantities of pigmentation for calcium bricks.

He said the increase would come into immediate effect in Durban, Pietermaritzburg, Glencoe and Empangeni.

It would add about R600 to the cost of the average house, which, he pointed out, was less than 1 percent of the total cost.

The slump in the building industry has led to Corobrik closing factories in Natal and on the Reef, and hundreds of workers and some white-collar staff have been retrenched.

Yet because of the need to provide for future capacity a multi-million-rand factory was opened near Pretoria last month.

Commenting on the increase, Mr Pieter Rautenbach, executive director of the Natal Master Builders' and Allied Traders' Association, said: "It is very sad...but what can we do?" Sooner or later one would have expected it as a result of the increase in the fuel price.

The message is coming through clearly that there are alternatives to bricks, especially as far as commons are concerned. People will increasingly turn to cement blocks.

Mr Reg van Rij, a member of the executive of the National Association of Home Builders, said discussions had recently been held between builders and it had been learned that firms marketing bricks in the Transvaal were far more flexible in prices than in Natal.

'A brick company is capital intensive, which means its costs are fixed. In bad times, profits take a hammering, but in good times there is plenty of money to be made. It costs less to make bricks then because the costs have been largely amortised.

'In the last surge of sales when builders suffered major delays in brick supplies, we did not see prices coming down. However, we can understand that the brickmakers have to make profits in the good times to cover the bad times.'
Builders react over rise in price of bricks

Company asked to ‘think again’

Colin Vines
Property Editor

THE South African building industry has reacted with dismay to Corobrik Natal’s decision this week to increase the price of bricks by an average of 12.5 percent.

And yesterday, Mr Bant Hoffmann-Jensen, president of the Natal Master Builders’ Association, called on the giant concern to think again.

His plea was matched by concern expressed by leading builders and the powerful national body, Building Industries Federation (South Africa).

The price rise, the third in under a year, means bricks now cost 32 percent more than this time in 1985.

Mr Hoffmann-Jensen said: "The building industry in Natal is extremely disappointed in the price increase of 12.5 percent imposed by Corobrik.

"Responsible"

"In view of the severe recession and economic climate, we believe that in the national interest such an increase is counter-productive to the measures which the Government and the building industry in Natal have taken.

Recent negotiations between employers and the trade unions have resulted in freezing of wages and other benefits. We believe such a step, although drastic, is a responsible attitude in our present economic climate.

"It is therefore a bitter pill to swallow to accept a third price increase in bricks over a year in times like these, especially when it is alleged the main reason was an adjustment of wages and salaries.

"We are concerned about the effect this will have on our members and the public.

"Results of certain building companies have recently been advertised and were abysmal. This additional burden will undoubtedly also have a profound effect in time to come on the public.

"I appeal to Corobrik to have a close look at their prices again, especially in the circumstances."

Mr Lou Davis, executive director of Bifsa, said the building industry had been sympathetic to the brick manufacturers who have had to withstand and carry the financial burden of the enormous stockpiles building up around the country.

(Latest estimates put them at some 290 million bricks nationally, including 65 million in Natal.)

"But we contend that the building industry, the property developers and the man-in-the-street has the right to a secure supply of bricks in South Africa and that these raw material prices should, at all times, be kept at a reasonable level," said Mr Davis.

"The point the brick manufacturers seem to have missed is that the cyclical nature of the building industry means while they can expect good returns on investment in the buoyant economic circumstances, they must also accept lower returns when the industry is facing recession.

"However, it would appear the manufacturers are determined to continue financing their profits by adjusting prices, at a time when the rest of the industry is trying to control all expenditure, resorting, even, to a salary freeze until November undertaken by the building industry in the Transvaal and Natal," he said.

Mr Davis pointed out that Corobrik — as the major supplier of bricks in South Africa — has made substantial capital investments aimed at ensuring a steady supply of bricks for the industry when building activity increases.

"But lifting the prices of this essential raw material tends to detract from the credibility of this investment," said Mr Davis.

Bob Stevenson, former president of Bifsa and managing director of Stevenson Construction of Pinetown, also voiced strong opposition to the Corobrik move and also appealed "Think again, chaps."

He said the increase could not have come at a worse time for the embattled building industry.

Mr Stevenson felt it would particularly hit the small contractor and home builder who were building at a fixed cost and were not able to pass on the increase to the customer.

Stockpiled

"We are already tendering at suicidal rates for jobs," he said.

He accused Corobrik of ignoring moves made by the building industry to freeze wages.

"Corobrik disregards this and puts up their prices not only for future production but for the cost of the bricks stockpiled in their yards and the interest thereon," he said.

Mr Stevenson forecast more builders would look to alternative walling methods, including concrete.

"We have just finished 200 houses at Marburg in concrete blocks which we made ourselves and the finish is good," he said.
Bifsa disappointed at brick price increase

JOHANNESBURG — The Building Industries Federation of South Africa (Bifsa) has expressed its disappointment at the latest price increase announced by Corobrik.

It was reacting to the increase by Corobrick Natal of the price of its bricks by 12 per cent yesterday. Corobrik Natal is the Natal regional operating company of Toncoro, the largest suppliers of bricks in the country. The other Corobrik regional companies are currently reviewing prices and the executive chairman of Toncoro, Mr Cedric Savage, said in Durban that the prices of bricks in the Transvaal and Western Cape could increase this month by about 5 per cent.

Mr Lou Davis, executive director of Bifsa, said that the building industry had been sympathetic to the brick manufacturers who had to withstand and carry the financial burden of the enormous brick stockpiles building up around the country.

"But we contend that the building industry, the property developers and the man-in-the-street have the right to a secure supply of bricks in South Africa and that these raw material prices should, at all times, be kept at a reasonable level.

"The point that the brick manufacturers seem to have missed is that the cyclical nature of the building industry means that while they can expect good returns on investment in buoyant economic circumstances, they must also accept lower returns when the industry is facing recession.

"However it would appear that the manufacturers are determined to continue financing their profits by adjusting prices at a time when the rest of the industry is trying to control all expenditure, resorting, even, to a salary freeze until November undertaken by the building industry in the Transvaal and Natal," Mr Davis said.

He pointed out that Corobrik — as the major supplier of bricks in South Africa — has made substantial capital investments aimed at ensuring a steady supply of bricks for the industry when building activity increases.

"But lifting the price of this essential raw material tends to detract from the credibility of this investment," said Mr Davis — SAPA.
Talks on discounts for bricks

Property Editor
NATAL's largest brickmakers have been holding talks on prices with the Master Builders' Association, it was confirmed yesterday. And it appears that the 'big boys' among the builders may get handsome discounts on their bricks bill.

This came to light when Corobrik Natal managing director Brian Waberski was asked in an interview whether the company would heed calls by builders to think again on the 12.5 percent average price increase on bricks announced earlier this week.

Mr Waberski said discussions had taken place with certain members of the Natal MBA over the possibility of 'introducing a strategy of price differential.'

He said 'Members of the MBA would enjoy a better ex-works price, or reduced ex-works price compared to the man-in-the-street.

'We say the MBA because they are the people we see as being in the industry to provide their livelihood and we are considering giving them the benefit of the price differential.'

Mr Waberski would not mention any figures under consideration.

But, he added, further thought would have to be given to the ramifications of such a move.

'We have to consider whom we are going to please and whom we will displease. Then there is the question of the tendering advantage to a member of the MBA who buys bricks at a lower price over a builder who is not an MBA member. These are real problems.'

He agreed that the time was probably suitable for the brickmakers and the MBA to reach a decision on the price differential strategy.

Mr Waberski said however there would be no change to the announced increase which created a furor among builders who said it meant bricks had gone up more than 32 percent in just over a year compared with an inflation rate of around 16 percent.

Defending the round of increases, Mr Waberski listed cost factors which had grown greatly over the past two years.
70-million unsold bricks pile up in Cape

By TOM HOOD
Property Editor

A SURPLUS of unsold bricks in the Western Cape has grown to a mountain of 70-million — enough to build about 1400 houses.

"This is the highest figure ever recorded here," says Mr Graham Bounds, local managing director of Corobrik, the country’s largest brick producer.

The company announced country-wide price increases related to costs this week which could add about 6 percent to Cape prices Corobrik is the trendsetter and in normal times other companies bring their prices into line.

But builders in the Cape will not pay any more because of intense competition and price-cutting by brickmakers.

"The list prices of bricks bear no resemblance to prices being charged. Shopping around is the order of the day, from the smallest to the largest builders," says Mr Bounds.

— DISCOUNTS

Builders, accustomed to waiting months for deliveries of face bricks a short time ago, are promised immediate delivery almost everywhere and say prices have never been as competitive as now.

They are also able to negotiate discounts — something unheard of in the past — of around 5 to 7.5 percent.

Discounts of more than 40 percent have been given for certain types of face bricks, builders getting them for R190 a 1000 against the list price of R260.

"We have been offered ROKs (common bricks) at R94 a 1000, the price ruling two years ago, says Mr Dave Horwitz, managing director of Condecor.

"Prices of ROK’s are generally around R112 against R130 at the end of last year, with face bricks costing R160 against R220 last year."

But he forecast the surplus is temporary and prices could shoot up again by the end of the year.

— BONANZA

Many Cape brickfields start to close down in June for the winter and this could halve production.

An added bonus for builders is a tremendous improvement in quality of bricks and breakages accounting for only 4 percent of deliveries compared with breakages of around 8 percent in the past.

The Building Industries Federation is looking into conditions of sale by brick companies which say builders must accept up to 10 percent of breakages.

"If you buy 100 loaves of bread you expect to get 100, not 90," said a builder. "We want the brick firms also to give us what we pay for."

The present surplus is the result of a huge downturn in home building shortly after brick companies completed multi-million-rand extensions.

Corobrik has already closed three Cape factories, lowering production to 190-million bricks a year from its capacity of 260-million.
COROBRIK rethink urged

OWN CORRESPONDENT
DURBAN — The building industry has reacted with dismay to Corobrik Natal's decision to raise the brick prices by an average of 12.5%.

Mr Bent Hoffmann-Jensen, the president of the Natal Master Builders' Association, has urged it to think again.

Leading builders and the Building Industries Federation (Bifs) share his view.

The price rise — the third in a year — means bricks now cost 32% more than this time in 1983.

Mr Hoffmann-Jensen says: "The building industry in Natal is extremely disappointed in the price increase of 12.5% imposed by Corobrik.

"In view of the severe recession and economic climate, we believe that in the national interest such an increase is counter-productive to the measures the Government and the building industry in Natal have taken.

"Recent negotiations between employers and the trade unions have resulted in freezing of wages and other benefits. We believe such a step, although drastic, is a responsible attitude in our present economic climate.

"It is therefore a bitter pill to swallow and accept a third price increase in bricks over a year in times like these, especially when it is alleged the main reason is an adjustment of wages and salaries.

"Results of certain building companies were recently advertised and were abysmal. This additional burden will undoubtedly also have a profound effect in time to come on the general public.

"I appeal to Corobrik to have a close look at their prices again, especially under the circumstances."

Mr Lou Davis, the executive director of Bifs, says the building industry has been sympathetic to brick manufacturers who have had to withstand and carry the financial burden of the enormous stockpiles building up countrywide.

(Latest estimates put them at some 299-million bricks nationally, including 65-million in Natal.)

"But we contend that the building industry, the property developers and the man-in-the-street have the right to a secure supply of bricks and that these raw-material prices should, at all times, be kept at a reasonable level," says Mr Davis.
241 held in protest over dismissals

PRETORIA. Police arrested 241 people today as they picketed a crockery factory.

The arrests came at 6:30 am when about 300 members of the South African Allied Workers' Union and former employees of Continental China picketed the company premises in Rosslyn.

A police spokesman said the 241 would appear in court to face charges of intimidation.

A Saawu spokesman said the former company workers were protesting about a labour dispute which left more than 500 employees jobless.

The dispute started late last year when 650 workers walked out over wage cuts. They were later dismissed.
Bricks: crisis for 'commons'

THE latest rise in common (plaster) brick prices in Natal means that in 13 months the basic unit for constructing a wall has risen by 32 percent, far beyond the inflation rate which is 16 percent.

This draws attention to a basic fact South Africa is still using as its main wall construction element an old-fashioned and outdated product long since abandoned in more sophisticated markets such as Britain and replaced by a more efficient, modern and cheaper per square metre product which performs better.

Surely this price rise means it is time to examine the appalling story of the common brick in South Africa?

First, it is simple to draw a comparison with what took place in the UK.

The brick industry there in the 1960s was roughly four times the size of the South African brick industry and produced 8,000 million bricks a year of which 80 percent were common bricks.

Today the capacity of the British brick industry is 5,000 million but it is 100 percent devoted to face bricks as there are no common bricks purpose-made today. What happened?

In the 20 year period between 1965 and 1985 the common brick disappeared because it was replaced by a superior product, a lightweight inner-skin walling made of better materials that performed more efficiently.

People had long recognised that clay commons were too small, too heavy, too difficult to cut and were an extremely poor insulating element and when the oil crisis radically increased the cost of heating a house in winter or cooling it in summer the demand became an absolute priority.

The result was the invention of the thermalite block and used worldwide — except in South Africa. These blocks were made to the formulation of the Swedish company Ytong.

Time for a rethink

... writes Anthony Cadman, who was Director-General of the Brick Development Association of Great Britain during the 1970s.

The thermalite concrete block which destroyed the common brick in the UK is bigger than the common brick and can be manufactured to specification to replace four or six common bricks with one block.

The enormous advantage in productivity is achieved because the single thermalite block weighs less than a common brick yet has a similar strength for walling and it also has a massively improved quality of insulation against loss of heat or cooling.

Next, it is an excellent material with which builders can work. It can be nailed into without the need of masonry drills and above all, it is a lighter element of total accuracy instead of the woolly generalities of the clay common in terms of length, height and thickness.

These high insulation blocks are made in Britain mainly from pulverised fly-ash (PFA) which is generated by coal-burning power stations.

To this finely crushed fly-ash is added a small quantity of high-grade pure cement powder and a quantity of aluminium powder mixed accurately and to known standards under automated control.

The injected aluminium powder is mixed into the concrete and PFA mechanically, poured into moulds, cut accurately after drying and is available ready packed for despatch in less than 24 hours.

Under the Ytong system used world-wide, except South Africa, all the elements at the factories right up to cranage and lorry systems are all standardised to mould form.

In other countries than UK various raw materials are used. Pumice in volcanic areas, gypsum is used in others, but PFA is limited in its use where South African coal is involved because of the high sulphur content.

However South Africa has at Richards Bay one of the world's largest supplies of gypsum, great quantities of which, it is threatened, will be pumped out to sea and wasted.

Five sizeable Ytong factories utilising this gypsum could replace the entire common brick output of South Africa.

It may well be that the latest rise in the price of common bricks will cause the building industry to demand to know what is obstructing the use of modern lightweight high insulation blocks that the rest of the world has been using for 20 years.
SAWWU THREATENS CONTINENTAL WITH A BOYCOTT

A BOYCOTT campaign of crockery manufactured by a Pretoria company is on the cards unless the company improves its offer of reinstatement to the South African Allied Workers' Union announced yesterday.

Mrs Tshini Mondo, branch organiser for Saawu, said the campaign against Continental China was postponed early this year after management had indicated willingness to negotiate for the reinstatement of the 650 workers who were dismissed by the Roslyn plant five months ago. He added that a dispute has also been declared with the company.

A spokesman for the company, Mr Bill Paverd, said they were aware of boycott plans but there was little they could do to stop the move. "The only alternative we have is to talk to our customers, which is also not likely to work if Saawu's campaign is successful. But I must warn that their refusal to believe that we are having financial problems could mean the end of jobs for about 2,000 people," he said.

"We decided to take steps when management announced at a meeting that only 12 of the 650 workers would be reinstated. The offer was totally unacceptable and as a result workers said it was as good as nothing and called for the reinstatement for all," said Mr Mondo.

He stressed that it is now up to the company to reopen negotiations as Saawu was only concerned about its programme to launch the boycott.
Cement orders flood company

Property Editor
BUILDERS and merchants have flooded Natal Portland Cement with orders in an attempt to beat the 20 percent price rise which comes into effect on Monday, the company said yesterday.

But some quarters have criticised NPC for the new price and called for action by the Competitions Board.

The price rise follows the removal of a special discount brought in when the cement price war started eight months ago. Imported cement selling at a lower price than the local product was met head-on with price reductions.

The latest move will return prices to the levels applicable before the price war started, effectively raising the cost 20 percent.

Mr Mike Doyle, general manager of NPC, said unprecedented demand since Thursday has made it impossible to make all the deliveries requested because of the short working hours of customers on Fridays and Saturdays.

The backlog should be cleared by Wednesday. All orders placed by 4.30 p.m. yesterday for delivery yesterday or today, will be charged at the old discounted price even if delivery is made only next week.

Meanwhile, contractor Mr Bob Stevenson, a past president of the Building Industries Federation (South Africa), said in a statement yesterday, 'We have been served another blow.'

'You may recall that when I asked the brick companies to think again (over their price rise) it was because there were alternative systems one could use instead of bricks, such as precast concrete, concrete blocks and concrete bricks. With the new cement increase, this is knocked on the head.'

'We all know that the cement price in Durban has been kept down for a considerable period because of the competition from ACE cement which is imported.

'Now that the local Portland cement has increased in price, I wonder how long it will be before the imported cement will fall into line and then we will have another cartel, with all cement being at fixed prices again and going up simultaneously when they feel increases are warranted.'

'I trust that the Commissions Board will take note of these increases and not allow these rises to become a fait accompli, just accepted as were the increases in petrol, sales tax and other items.'
Saawu picket over arrests

By ZB MOLEFE

SEVERAL SA Allied Workers’ Union members held an hour-long picket at Federale Bellegings in Johannesburg yesterday after the arrest of 241 of their colleagues in Pretoria on Wednesday.

The Saawu members carried placards at Federale Bellegings, a holding company of Continental China, which has been at loggerheads with the union since last year when 650 workers were dismissed by the Pretoria plant.

Led by Saawu branch secretary Jackie Mosemole, the protest delivered a memorandum calling for the release of those arrested.

"Our picket is to publicise our plight. Continental is prepared to employ only 12 of those dismissed last year," said a spokesperson of the dismissed Continental workers.

Federale’s manager of group manpower, AK Roodt, told the Press the company would meet Continental’s management today in a bid to resolve the Rosslyn plant’s problems.

The 241 people arrested this week while allegedly picketing at Continental China factory in Rosslyn will appear in court today.

A Pretoria police spokesman said they will be charged under Section 50 of the Criminal Procedure Act in the Pretoria North Magistrate’s Court.

They are part of the 650 workers dismissed last year by Continental China after a strike over a wage-cut and unpaid overtime.
Saawu members to be charged

The 241 members of the South African Allied Workers' Union who were arrested last week for allegedly picketing a Rosslyn factory will appear in the Pretoria North Magistrate's Court on May 6.

According to Mr Jack Masemola, a branch secretary, Saawu members were released after being warned and charges of illegal gathering and intimidation would be brought against them when they go to court. He added that they were also given the alternative to pay R50 each as admission of guilt fine.

Fired

Their case will be a sequel to a picketing incident outside a crockery manufacturing factory, Continental China, by about 300 placard-carrying members of Saawu and former employees of the company last Thursday.

Demanding their immediate and unconditional reinstatement, they carried placards reading "Please give our jobs back" and "We the workers demand our unconditional reinstatement". This was after their trade union and management failed to reach a solution in connection with the 650 people who were fired late last year."
Bricks versus blocks

IN contrast to the multi-million brick stockpile in Corobrik's yards throughout the country — almost 300 million at the latest count — at least one Durban brick manufacturer can hardly keep up with demand.

Peter Kaletech, sales director of the New Germany-based Durban Brick Company, which makes concrete bricks, said yesterday his problem was giving the bricks enough time in the yard to mature.

At present the factory is turning out 65,000 bricks a day but plans are in hand to work the plant by shifts for 18 hours a day and increase production to 90,000 a day.

Mr Kaletech said the announcement of an effective 20 percent increase in the price of cement from Monday would have only a marginal effect on the cost of his bricks. At present the price, delivered and including GST, is R145/1,000 compared with the clay brick price of R169,02/1,000 delivered in Durban.

Mr Kaletech said: "To my mind concrete is the construction method of the future. Clay bricks are a thing of the past in Britain and America. Concrete bricks are easier to control in the production process."

Corobrik Natal is also heavily into concrete brick manufacturing as well as its long-established plaster-brick lines.

Managing director Brian Waberski denied emphatically any suggestion of a "war" going on. "There is room for us all," he commented.

"We feel our production of concrete bricks and concrete blocks combined gives us a bigger product mix," he said.

"I don't think it is fair to compare prices with those contractors who make their own concrete block on site for large housing developments or high-rise buildings bearing in mind that we build to SABS specifications."

But he gave details of a comparison of costing when using their own clay plaster bricks and concrete-based products.

A double-skin wall in 90mm clay — the maxi-brick — costs R29.28/m².

A double-skin wall in 90mm clay — the maxi-brick — costs R29.28/m².

at R22.35/m². A similar size concrete block, which is slightly higher costs R21.30/m².

With the increase by 20 percent in the price of cement from Monday, that advantage may disappear," he added. No decision about new prices has yet been taken.

Concrete rules supreme down the Lower South Coast, where, says Corobrik, just about every river from Port Shepstone to the Transkei border, has a block-making plant.
Work starts on Ladysmith factory

Property Editor

LADYSMITH—Construction of a new R33-million factory here in times of worsening recessionary conditions was a sign of faith in the product and South Africa, deputy chairman of Gypsum Industries, Dr. Rudolph Fockema said yesterday.

He was speaking on the occasion of "turning the sod" for work on the huge plant to begin.

Dr. Fockema said the plant had been sited in Ladysmith because of the encouragement given through attractive decentralisation incentives, the good location of Ladysmith relative to the Natal and north-eastern Orange Free State markets, and the positive attitude of the local authorities towards the industry.

These are among the many factors that led to our decision in spite of the great distance from our Gypsum deposits in Bushmanland," said Dr. Fockema.

The factory, which is scheduled for completion in 1987, will ultimately employ about 200 people and will make a wide range of products for the building industry.
Concrete

Workers on strike

Labour Reporter

ABOUT 150 workers have gone on strike at African Spun Concrete in Blackheath in support of demands for higher wages.

Mr. David Lewis, general secretary of the General Workers' Union, said yesterday the GWU had attempted over a seven-month period to negotiate a wage agreement with management.

Several meetings had been held and the matter had eventually been referred to mediation with no settlement.

The dispute had also gone through the mechanisms of the Labour Relations Act and a recent conciliation board hearing had also failed to resolve it.

"The wages at African Spun Concrete are extremely low by any standards, and management has made such persistently low offers that we do not believe them to be bargaining in good faith," Mr. Lewis said.

Accordingly, workers had stopped work on Monday morning in support of a demand for a "reasonable wage."

He added that the union believed the strike to be legal, according to advice it had received.

A company spokesman confirmed yesterday afternoon that workers were on strike but would not comment further.
150 concrete workers still on strike over pay

Labour Reporter

THE African Spun Concrete plant in Blackheath remained idle yesterday as 150 workers stayed out on strike for the third day in support of pay demands.

Mr Peter Hoeks, the firm's managing director, said no renewed negotiations had taken place with the workers or the General Workers Union but the firm had no plans to lay off workers at this stage and hoped they would return.

Earlier this week, a GWU spokesman said wages at the plant were "extremely low by any standards" and workers had gone on strike to demand a "reasonable wage".

Disputing this yesterday, Mr Hoeks said wages were 40 percent higher than the minimum laid down in the wage determination for the concrete products industry.

Mr Hoeks said the dispute was no longer over rates of pay but rather over implementation of increases.

The union had accepted an offer of R1,50 an hour during recent conciliation board hearings but wanted this back-payed until August last year, which management was not prepared to do.
Corobrik hoping for rates reprieve

COROBRIK, the beleaguered brick manufacturing giant, is hoping that lower interest rates will put an end to its ruthless cutback and lay-off measures.

The firm has the dubious track record of laying-off 2,000 workers and closing nine factories.

Reports last month indicated Corobrik had considered closing more brickfields in April and May, after the reduction of production at the Roodpoort plant — a move which affected the jobs of 238 workers.

Corobrik's chairman, Mr Cedric Savage, said, however: "We hope to have seen the last of our drastic cutbacks and retrenchments. There have been encouraging signs that interest rates are about to drop. If they do, the upswing could begin in about six months."
No indication of strike settlement

Labour Reporter

The Corobrik workers' strike in Pietermaritzburg continued yesterday with still no indication of a settlement in sight.

More than 700 workers at the Corobrik and Corocrete plants in the capital and a further 850 at five Corobrik plants in the Western Cape stopped work on Monday in support of their demand for a 31 percent increase in pay.

A spokesman for the General Workers' Union said lengthy talks were held with the management yesterday but no decision was taken.

Mr. Ray Andrews, managing director of Corobrik in Natal, said there had been no further developments towards ending the strike yesterday.

"There were lots of discussions again yesterday, but we again pointed out that our final offer of 17 percent which we made at the Conciliation Board meeting still stands," he said.

The strikers were paid their last week's wages yesterday.
'Work or dismissal' warning to strikers

WORKERS at African Spin Concrete in Blackheath who have been on strike for two weeks in support of wage demands have been told that if they do not return to work they will be dismissed.

The strike, involving about 150 workers, started late last month after the General Workers' Union and management failed to agree on an effective date for payment of back wages.

Management also told the workers, who have been on the premises since the strike started, that if they did not return to work they would be considered trespassers.

Mr Peter Hoeks, the managing director, said the ultimatum was issued yesterday after shop stewards had been called in and the situation explained to them.
Labour Reporter

A LEGAL wage strike is threatening at all four Corobrik plants in the Western Cape.

The General Workers Union — which is recognized by Corobrik — announced in a statement yesterday that a wage dispute with the company was in the "final stages" of the official dispute procedure.

"Further meetings are scheduled for later this week if agreement is not reached, the dispute-settling procedures will have been exhausted," the statement said.

The GWU said it would hold strike ballots at Corobrik's four Western Cape plants and its factory in Maritzburg, employing approximately 2,000 workers.

Corobrik confirmed in a statement yesterday that a wage dispute existed and that a conciliation board hearing would be held this week. It said the GWU was demanding an increase of over 40 percent on the minimum wage level while Corobrik's offer was 17 percent on the minimum and 14 percent on all levels.

The GWU also announced it had concluded a wage agreement with another brick manufacturing firm, Cram's Limited, on behalf of the union's members employed at Corobrik's four Western Cape plants and its factory in Maritzburg.
Labour Reporter

A LEGAL wage strike is threatening at all four Corobrik plants in the Western Cape.

The General Workers Union — which is recognized by Corobrik — announced in a statement yesterday that a wage dispute with the company was in the "final stages" of the official dispute procedure.

"Further meetings are scheduled for later this week. If agreement is not reached, the dispute-settling procedures will have been exhausted," the statement said.

The GWU said it would hold strike ballots at Corobrik's four Western Cape plants and its Maritzburg plant employing approximately 2,000 workers.

Corobrik confirmed in a statement yesterday that a wage dispute existed and that a conciliation board hearing would be held this week.

It said the GWU was demanding an increase of over 40 percent on the minimum wage level, while Corobrik's offer was 17 percent on the minimum and 14 percent on all levels.

The GWU also announced it had concluded a wage agreement with another brick manufacturing firm, Cram-mix Ltd, on behalf of the 250 members employed by the company.

Prisoners escape from court

& CAVENDISH SQ
More than 400 workers fired by Pilkington Tiles at Meyerton late last month are to get their jobs back after a settlement between the firm and the Building Construction and Allied Workers' Union.

Agreement came after three days of negotiations.
Strikers leave the African Spun Concrete premises yesterday after a police ultimatum that they leave by 2pm or be arrested for trespassing.

Strikers abandon concrete factory sit-in

Staff Reporter

STRIKING workers who this week occupied the premises of the African Spun Concrete factory in Blackheath left the factory voluntarily yesterday after a police ultimatum that they would be arrested for trespassing if they did not leave by 2pm.

The strikers, who decided they would pursue the matter through their union's lawyers today, were informed yesterday morning that the factory management considered them to be trespassers with no legal right to be on the premises.

Police remained on the premises until shortly before 2pm.

Earlier this week the management said it had dismissed workers who ignored a deadline to return to work by Tuesday. The strikers then occupied the premises for fear that management would begin recruiting replacements.

The dispute at the factory centres on a demand by the workers for pay increases to be back-dated to August last year. Management feels increases should be applicable to 1985.

A conciliation board appointed to resolve the matter failed to do so.

The managing director of the company, Mr Peter Hoeks, said his company had no dispute with the claim that workers were on legal strike.

'Not allowed to be here'

"But the workers have not realized that there is a law saying we can fire them while they are on a strike," he said.

"At the moment the issue is simply that they are trespassing. They know they are not allowed to be here. They do not wish to work and they are stopping others from working," he said.

Mr Hoeks said it was only when workers who wished to return to work had approached the management with complaints of intimidation that the company had issued an ultimatum to the strikers to resume work.

The strikers, who have struck for two weeks, have denied any acts of intimidation have occurred."
CAPE TOWN—All 150 workers at the African Spinn Concrete factory, Blackheath, were dismissed yesterday but are refusing to leave the premises. The workers went on strike two weeks ago in a pay dispute.

(Sap) N.M. 10/15/55
Brick industry strike expected as talks fail

Own Correspondent

JOHANNESBURG — Corobrik workers at five plants in the Western Cape and Natal are set to go on strike this week after the General Workers Union (GWU) and management reached deadlock over pay increases at conciliation board meetings last week.

Mr. David Lewis, general secretary of the GWU, said the union was in the process of reporting the outcome of the negotiations to its members at the Maritzburg plant and the four Cape plants, and legal strikes were “imminent.”

Strike ballots have already been held and it is probable that the strikes will begin today.

Corobrik is offering 17 percent increases on the minimum level, and 14 percent on the other grades, while the GWU is demanding a 40 percent minimum in Cape Town and 31 percent in Maritzburg.

Mr. Lewis said management’s offer would mean that between 1976 and 1985 the real wages of Corobrik workers in the Western Cape would have declined by 9 percent.

“By contrast in a similar period the company’s fortunes increased steadily and in the financial year to March 1985 Tocore — Corobrik’s holding company — increased its profits by 220 percent,” he said.

Spokesmen for the company said they were satisfied that the 17 percent offer was fair in view of the economic climate in the building industry.

Mr. Graham Bounds, the managing director of Corobrik Western Cape, said the GWU’s request for 40 percent on the minimum wage level was “totally unreasonable.”

He said “A wage increase of the magnitude requested by the GWU would not only result in substantial price increases but would seriously affect our ability to maintain our workforce at current numbers.”
Corobrik workers are set for legal strike

COROBRIK workers at five plants in the Western Cape and Natal are set to go on legal strike this week after the General Workers' Union (GWU) and management reached deadlock over pay increases at Conciliation Board meetings last week.

David Lewis, general secretary of the GWU, said the union was in the process of reporting the outcome of the negotiations to their members at the Maritzburg plant and the four Cape plants, and legal strikes were "imminent".

Strike ballots have already been held and it is probable that the strikes will begin today.

Corobrik is offering 17% increases on the minimum level, and 14% on the other grades, while the GWU is demanding a 40% minimum in Cape Town and 31% in Maritzburg.

Lewis said that after the management-offered increases, workers in Cape Town would earn a minimum of R1,377 cents.

He said this was below the Minimum Living Level and the lowest of all GWU members, and would mean that between 1978 and 1985 the real wages of Corobrik workers in the Western Cape would have declined by 9%.

"By contrast, in a similar period the company's fortunes increased steadily and in the financial year to March 1985 Toconoro - Corobrik's holding company increased its profits by 220%," he said.

"We believe these results confirm the evidence of the company's ability to afford wage increases that would start to close the gap between Corobrik workers and other industrial workers."

Lewis said that in the event of a strike the union's door would still be open to a negotiated settlement with the company.

Spokesmen for the company said they were satisfied that the 17% offer was fair in view of the economic climate in the building industry.

Graham Bounds, MD for Corobrik Western Cape, said that the GWU's request for 40% on the minimum wage level was "totally unreasonable".

He said "A wage increase of the magnitude requested by the GWU would not only result in substantial price increases but would seriously affect our ability to maintain our workforce at current numbers."

Corobrik Western Cape had stocks of about 45-million bricks (about 12 weeks' supply).

Ray Andrews, MD of Corobrik Natal, said the GWU's demand for a 31% wage increase on the minimum level was "impossible to meet."
100 workers down tools at brick factories

ABOVE 700 workers at two Corobrik plants in Pretoria and Bloemfontein yesterday in support of their demand for a 31 percent pay increase.

The action comes after a strike ballot by the General Workers' Union at the Corobrik and Corocrate factories last week when the majority of the workers voted in favor of strike action after wage negotiations had reached deadlock.

A spokesman for the union said yesterday that the wages of most Corobrik workers were far below that of workers in other industries.

'By contrast, the company's fortunes increased steadily in the past few years and in the financial year to March 1965, Corobrik -- Corobrik's holding company -- increased its profits by 220 percent. We believe these results are evidence of the company's ability to afford wage increases that would start to close the gap between Corobrik workers and other industrial workers,' he said.

Negotiations

Mr. Ray Andrews, managing director of Corobrik, Natal, yesterday confirmed that production had stopped at the two plants and said talks were continuing between representatives of the management and the union.

There were extensive negotiations between the union and the company, but the last meeting of the Conciliation Board on May 15 ended in deadlock.

'Ve offered workers an increase of 17 percent, with the average increase being 15 percent, but the union refused to accept this and last week held a strike ballot in which a majority of the workers voted in favor of striking.'

'The situation is peaceful and lines of communication between the company and the union are still open,' he said.
1600 Brick Workers Strike

Staff Reporter

A TOTAL of 1600 workers from the four Corobrik factories in the Western Cape and one in Natal began a legal strike yesterday after their union accused Corobrik management of hiring scab labour to keep the factories open.

A statement from the General Workers' Union said the 850 workers from Corobrik in the Cape and 750 from the Corobrik factory in Maritzburg had begun the strike in pursuit of their demands for a living wage after pay talks reached deadlock last week.

The managing director of Corobrik in the Western Cape, Mr Graham Bounds, said the company had responded to low attendance yesterday morning by using employees who held jobs on an "intermittent" basis. These labourers were not "scabs", he said.

The statement from the GWU claimed the company was employing women "to perform extremely arduous work and this action has served to provoke workers who have shown a willingness to use official dispute procedures."

A week ago the union had protested to management "at the extent of management intimidation of workers involved in a perfectly lawful action", said the GWU.

Management in turn claimed yesterday that a "lot of intimidation" by strikers had taken place at the factories.

He said while stoppages occurred at all plants, attendance at one had been "up to 40 percent".

Corobrik management has offered to increase minimum wages from R1.17 an hour to R1.37—an increase which the union argues will keep workers below the Minimum Living Level.

The GWU has argued that the company increased its profits recently from R9-million to R29-million—figures which were "clear evidence of its ability to pay a living wage".
Strike at Corobrik

MORE than 1 500 Corobrik workers at five plants in the Western Cape and Natal came out on a legal strike yesterday, the biggest ever staged by the General Workers' Union.

This follows eight weeks of negotiations between management and the union and resulted after deadlock was reached over pay increases at Conciliation Board meetings last week.

David Lewis, GWU general secretary, said yesterday that management's offer to increase wages from R1.17c per hour to R1.35c would still leave workers below the Minimum Living Level and the strike was "evidence of their deep dissatisfaction".

He said the company's 220% increase in profit from R5m to R28m over the 1983-84 financial year was clear evidence of its ability to pay a living wage.

"We trust management will note the extent of dissatisfaction and will review its position. We will be happy to re-open negotiations to arrive at a speedy settlement of the dispute," Lewis said.

He said the union was also disturbed by management's having resorted to casual scab labour at the Western Cape plant. He alleged the company was employing women to perform "extremely arduous work" and said its action would provoke workers who had used official procedures in going on strike.

"We also protested to management at the extent of their intimidation of workers engaged in a perfectly legal action. The use of scab labour and intimidation is under these circumstances particularly unacceptable".
Union puts new wage package to Corobrik

Labour Reporter

TALKS between Corobrik management and the General Workers' Union continued today to seek resolution of the strike at five plants which started on Monday.

The legal strike over wage demands has affected four Corobrik plants in the Western Cape and one in Maritzburg. About 1600 workers are affected.

Mr. David Lewis, general secretary of the union, said today that talks would be about fresh wage proposals from the union. These were put to management in the Cape yesterday and will be put to management in Maritzburg today.

FAILED

The strike began when a conciliation board set up to resolve the dispute failed.

The managing director of Corobrik Western Cape, Mr. Graham Bounds, has denied union allegations that the company is using scab labour during the strike.

"What we have done is to effect several interdepartmental transfers from low to high priority services within the plants," said Mr. Bounds.

ENSURE JOBS

"This action should be welcomed, not criticised, by the union as it will ensure jobs for workers the moment the strike is over. Should the kilns, for example, be shut off, production and jobs would cease for several weeks."

Mr. Bounds said some women had been transferred between departments but denied they were being required to undertake tasks beyond their physical capabilities.
Demands altered in brick strike

Staff Reporter

OFFICIALS of the General Workers Union (GWU) yesterday presented revised pay demands to Corobrik management in the Western Cape and in Natal as the strike for wage increases at the company's five plants continued.

The legal strike by 1600 workers at four Cape plants and one in Natal started on Monday after a pay dispute deadlocked last week when a conciliation board set up to resolve the dispute failed to do so.

A spokesman for the GWU said union officials who met management in both Cape Town and Martizburg yesterday would meet them again today to hear management's response to the revised demands.

Mr Graham Bounds, managing director of the Cape plants, said stayaways continued at all plants yesterday but work "was continuing" at each of them.

He declined to confirm that management was due to meet the union and said he did not wish to comment on the steps the company planned to take to end the strike.

The GWU, which represents workers at the five plants, has accused management of hiring casual scab labour but management has denied this.
Talks continue in bid to end brick dispute

Labour Reporter

THERE has been no major disruption in the supply of bricks following the strike by about 200 workers at two Corobrik plants in Pietermaritzburg. Mr. Kay Andrews, managing director of Corobrik in Natal, said yesterday.

The strike in support of a 31 percent pay rise by more than 1,000 Corobrik workers in the Western Cape and Natal continued into its second day yesterday with still no settlement having been reached, in spite of further talks between shop stewards and officials of the General Workers' Union and the management.

Mr. Andrews said yesterday there was no change at the Corobrik and Corcrete plants in the Capital where production stopped on Monday.

Good faith

The plant is basically not staffed, but essential services are being maintained by management.

Customers are calling to collect supplies," he said.

The strikers remained peacefully on the company premises, he said.

Mr. David Lewis, general secretary of the union, said yesterday that shop stewards and union officials met Corobrik management in the Western Cape yesterday and submitted revised wage demands. Further talks would be held today.

"The workers willingness to revise their demands is indicative of their good faith and desire to arrive at a negotiated settlement. We hope that the management's response will be in similar spirit.

"In Pietermaritzburg, the strike still has 100 percent support. Shop stewards and union officials met management yesterday and a further meeting will be held today," he added.
Corobrik denies using scab labour

By CLAIRE PICKARD-CAMBRIDGE

COROBRIK Western Cape MD Graham Bounds has strongly denied using scab labour at the company's four strike-hit plants.

He said the slump in the building industry had reduced profits.

Bounds was responding to accusations by the General Workers' Union — which is staging a legal strike at the plants — that Corobrik was employing casual scab labour and women to perform "extremely arduous work".

Corobrik had not employed outsiders, but had made transfers within the company, Bounds said.

Some women had been transferred, he said, but denied they were given tasks beyond their physical capabilities.

Bounds said people were helping willingly to keep the plants operating, something the GWU should welcome because this would ensure jobs for workers when the strike was over.

He said union claims of management intimidation of strikers were untrue and alleged that strikers had intimidated workers to such an extent that one man had been admitted to hospital and threats had been directed at customers and transport contractors.

Bounds said reference by GWU general secretary David Lewis to the company's 220% increase in profit during the 1983-84 financial year was meaningless because the local building industry had slumped dramatically since then.

"I am unable to pre-empt the publication of our 1984-85 results but they will be substantially different to the previous year's performance."

He said production was continuing at every factory and that Corobrik Western Cape still had a 12-week supply of bricks.

Lewis claimed yesterday that the plants were practically at a standstill.

He said the union had submitted revised demands to Cape Town management yesterday and that it was prepared to negotiate.

He denied management's charge that strikers had been intimidating workers.
1000 in legal strike

MORE than 1000 Corobrick workers at five plants in the Western Cape and Natal yesterday entered their second day on a legal strike, in what has been seen as the biggest industrial action by the General Workers Union.

The strike comes eight weeks after negotiations between management and the union had deadlocked over wages. GWU's general secretary, Mr. David Lewis, said management's offer to increase wages from R1.17c per hour to R1.37 was not satisfactory. It left workers' wages below the minimum living level.

He hoped that management will note the extent of their dissatisfaction and will review its position. The union was prepared to re-open negotiations to arrive at a speedy settlement of the dispute.

He claimed that management has resorted to employing scabs and intimidating workers who were on a legal strike. These practices were unacceptable to the union which was taking a serious view of them.

Corobrick management has confirmed the strike which has affected production in the Western Cape.

In another labour move, about 400 dismissed workers at Pilkington near Meyerton, returned home yesterday after they were promised their jobs back following a strike at the plant. The Building and Construction Workers Union intends holding an urgent meeting with management this week.

Meanwhile, Anglo American has begun re-employing about 14 000 miners dismissed from its Vaal Reefs gold mine last month after striking over claims and work practice dispute.
Gun drawn during Corobrik wage strike

Labour Reporter

STRIKERS and a Corobrik sub-contractor were involved in a confrontation in which a gun was drawn after a man was allegedly threatened with an axe.

Four Corobrik plants in the Western Cape and one in Natal are affected by the strike over a wage dispute involving 1,600 workers.

Mr David Lewis, general secretary of the General Workers' Union, said today that the union was concerned about the activities of certain sub-contractors at Corobrik plants.

He said that in an incident this week a union member was threatened with a firearm by one of the sub-contractors. The union would hold Corobrik responsible for "the consequences of this provocation."

"ACTING IN SELF-DEFENCE"

Mr Graham Bounds, managing director of Corobrik Western Cape, said the incident happened when the man was threatened with an axe by a striker.

"As far as he was concerned, he was acting purely in self-defence. The man with the axe then went away," said Mr Bounds.

Mr Lewis said the union had yesterday presented revised wage proposals for a R1,50 an hour minimum but management would not move from its offer of R1,37.

Wage talks at the company's Maritzburg plant would continue today.
GWU changes demands

Representatives of the General Workers Union (GWU) have revised pay demands to Corobrick, management in the Western Cape and in Natal as the strike for wage increases at the company's five plants continued.

The legal strike by about 1,000 workers started on Monday after a pay dispute deadlocked last week when a conciliation board set up to resolve the dispute failed to do so.

A spokesman for the GWU said union officials who met management in both Cape Town and Pietermaritzburg on Wednesday met them again yesterday to hear management's response to the revised demands.

Management said the union was showing a willingness to revise their demand was indicative of their good faith and desire to arrive at a negotiated settlement of the dispute.

"We hope management respond in a similar spirit," it said.

Managing director of the Cape plants said stayaways continued at all plants yesterday but work was "continuing" at each of them.

He declined to confirm management was due to meet the union and said he did not wish to comment on the steps the company planned to take to end the strike.

The GWU, which represents workers at the five plants, has accused the company of hiring casual scab labour to keep the factories in operation but management has denied this.
Brick workers trickle back

Some Corobrik workers in Pietermaritzburg, who have been on strike since last week in support of their demand for a 31 percent increase in pay, started trickling back to work yesterday, Mr Ray Andrews, managing director of Corobrik in Natal, said yesterday.

About 40 people reported for work yesterday morning and the number had increased to 61 later in the day. But 680 workers were still out on strike, he said.

Mr Mthokolzi Qotole, national organiser of the General Workers' Union, said the strike still had the majority support of workers. "Only the supervisors have gone back to work," he said.

The refusal by management to continue negotiating with the union went against assurances given by management that it was prepared to negotiate a settlement, he said.

The union met management on Friday and presented an amended wage demand which was substantially lower than the original demand of 31 percent. "But the company refused to talk to us," he added.

Mr Andrews said at the end of last week that management reaffirmed its final offer of a 17 percent pay increase. They had also sent out notices to all employees at the two strike-hit plants that they would not be paid at the next pay day on Thursday unless they returned to work.

We also undertook for those who returned to work by yesterday morning to make the increase back-dated to March 30 — which is equivalent to a week's pay.
2000 down tools

MORE than 2000 workers were yesterday reported to have downed tools at seven factories in the Transvaal, Natal and Cape over wages, dismissal of colleagues and working conditions.

Trade unions, industrial relations consultants and labour lawyers have predicted more labour unrest in the country as the metal and mine industries have deadlock with management for the same reasons.

About 300 workers at Teledex Electrical Company in Booyens, Johannesburg, went on strike yesterday after making pay demands and other working conditions.

Teledex's spokesman Mr Sydney Coven confirmed the strike was over pay. The company could not, because of the current economic climate, meet the workers' demands. "We had a disastrous year last year and we cannot cope," he said. The company was negotiating with the workers' representatives.

The workforce at Bred company in Benoni, recently sold to Dyer by Barlow Rand, yesterday downed tools and travelled in three buses to Barlow's headquarters in Sandton, where they presented their grievances.

The workers — members of the Metal and Allied Workers' Union (Mawu) — grievances include severance pay, pension fund, working conditions and other benefits. The workers claim since the company was bought by Dyer, the situation has changed and they were not happy.

Barlow's Public Affairs manager Mr R. Chambers confirmed the incident. He said the workers had presented their grievances and they were prepared to discuss them with the new management. There were no "bad incidents" and the workers later left the scene in three buses.

More than 1500 workers have stayed on strike at five plants of Corobrick in the Western Cape and Natal. There have been several incidents of victimisation and intimidation reported at the plants, according to union sources.
1 600 brick workers return as strike ends

Labour Reporter

THE week-long strike over a wage dispute by more than 1 600 Corobrik workers in the Western Cape and Pietermaritzburg factories has ended following a decision by the strikers to return to work today.

Production at the Corobrik factories has been severely disrupted since May 20 when workers at four Western Cape and the two Natal plants downed tools after rejecting a company offer of a 17 percent pay rise. They demanded a 31 percent increase.

Mr David Lewis, general secretary of the General Workers' Union, said yesterday that the workers had decided reluctantly to return to work after it had become apparent that the management was not willing to negotiate in good faith.

'It appears management wants to break the GWU strength in Corobrik factories and replace it with the company union, established by management, which is materially responsible for the low wage rate.'

Mr Ray Andrews, managing director of Corobrik in Natal, said the dispute had been settled after the union had signed an agreement on the terms which management presented as a final offer after 'considerable negotiation through the normal channels.'

The GWU was the only union involved in the negotiations, he said, adding that full production would be resumed today.

There was limited production yesterday.

Original offer

According to a Sapa report, the managing director of Corobrik in the Western Cape, Mr Graham Bounds, said the situation was resolved at a meeting yesterday morning between the company's management and representatives of the GWU.

He said the union had agreed to accept the company's original offer of R1.87 an hour as the minimum basic wage, which was a 17 percent increase, and a 14 percent increase on all other grades.

Mr Bounds said the night-shift allowances had been increased from 5 percent to 10 percent on the basic wage.
Brickworkers to return to work

By MARTINE BARKER

ABOUT 1600 Corobrik workers, who have been on strike in support of a demand for higher pay, have decided they will return to work this morning despite management's refusal to offer them an improved deal.

In terms of an agreement signed by the management and the General Workers Union yesterday, Corobrik's lowest-paid workers will receive increases of 17 percent while all others will receive a 14 percent increase.

The increases will bring minimum wages in the company to R137 an hour—a rate which the union has argued will keep workers below the Minimum Living Level.

A GWU statement said the workers at the four Western Cape plants and at the Murrizburg plant had decided to end their strike "in order to defeat management's union-busting objective."

The union said it appeared that management wanted to break the union's strength in Corobrik to replace it with a union established by the management.

Mr Graham Bounds, managing director of Corobrik in the Western Cape, denied that management had set up a rival union, and said it was prepared to deal with any union that had majority membership at its factories.
COROBRIK STRIKE

Heated aftermath

Although the legal strike over wages by 1,600 Corobrik employees is over, it has soured relationships between the company and the General Workers' Union (GWU). Workers returned to Corobrik's Maritzburg and four western Cape plants last week without any gains from their nine-day strike. The company for the different Corobrik regions — show profits have increased from R9m to R29m. The GWU also claims that the company's main competitor, the western Cape recently granted 30% wage increases and that its absolute wages are higher than Corobrik's western Cape division, where the minimum wage goes up to R1,38/hour after the 17% increase.

Tonso MD Errol Rutherford disputes the GWU allegations, but says he is appreciative that the union complied with processes required by the recognition agreement and the law. Rutherford agrees that the strike weapon is a legitimate part of the collective bargaining process “Management and union officials met frequently during the strike. No ultimatums were given and no employees were fired. But our companies were not prepared to increase their offers during these meetings because they considered their final offer to be fair and reasonable in the circumstances,” he adds.

Rutherford says that growth in Toncoro has created greater employment opportunities and the acquisition of minority interests and new ventures has increased the profit base “Our payroll has increased from R29m in 1980 to over R100m now,” he says.

But Lewis is not mollified. He believes the company is trying to drive out the GWU. "Tonga-Hulet — the company unions in both its sugar and brick divisions — the National Union of Brick and Allied Workers (Nabaw) and the National Sugar and Refining and Allied Industries Employees' Union (NSRAIEU)," he says.

Both unions were established in 1979, Nabaw by a former Corobrik personnel manager and NSRAIEU with the assistance of a R10,000 donation from Hulet. This was before Tongaat and Hulet merged and before Corobrik's takeover by Tongaat-Hulet. At the time, both Corobrik and Hulet strenuously denied that the two were "company unions." NSRAIEU is now affiliated to Inkatha and has extended its operations to other industries, while Nabaw continues to operate only at Corobrik.

Again Rutherford disagrees. "The allegations are not supported by the GWU's own experience with the company. Corobrik companies have signed recognition agreements with the union for establishments in the western Cape and in Maritzburg, and withdrawn recognition of unions which no longer have majority support. And despite the strike, Corobrik Natal is continuing to negotiate a recognition agreement for the company's Empangeni establishment with the GWU," he says.

Lewis says the decision to return to work was taken to ensure that the union survives and continues to build its strength at Corobrik. "It seems the company was prepared to weather short-term losses in order to rid itself of the GWU in future. But this was our first wage negotiation with the company. We will be there in future and continue to fight for better wages and other needed improvements to working conditions," he says.
Bulk cement

price slashed

by 24 percent

Natal Portland Cement has slashed the price of bulk cement in Durban by 24 percent and bagged cement by 15 percent from today in a move that has rekindled the simmering price war after a brief lull.

A statement by the company said a special discount of R20 a ton for bulk cement ex-factory has dropped the price to R63.40. It claims that in real terms, the price at R85.40 was lower than 25 years ago and the new price is said to be the lowest on record.

Bagged cement is down by R13.40 to R76.40 a ton or R3.62 a pocket.

In Pietermaritzburg, a pocket will now cost R4.41, a drop of 52 c. Cuts have also been made in other centres.

A spokesman for Cement Enterprises (ACE), NPC's rival in the price war, had no comment.

It was ACE's importation of Spanish cement last year that sparked a price-cutting fight for the Natal market.

The move comes as something of a surprise as prices rose only in April and previous discounts, instigated because of the battle over prices, were withdrawn.

Yesterday, Mr Mike Doyle, general manager of NPC, warned that the new special discounts were temporary and might be withdrawn at any time. Customers have been advised not to enter into long-term contracts on the basis of the discounted price.

He said the discounts will help maintain market share and safeguard the substantial investment and employment in the industry.

'Sales of imported cement dropped substantially after the price rises in April and the importers have instituted price-cutting again,' he alleged.
Union wants fired workers reinstated

Labour Reporter

THE General Workers' Union has applied to the Industrial Court for the temporary reinstatement of about 140 workers fired from African Span Concrete after a two-week strike last month.

A union spokesman said today papers had been filed with the registrar of the Industrial Court. The union was waiting for a hearing date to be set.

The strike, which involved about 150 workers, began late in April when the GWU and the company failed to reach agreement on an effective date for payment of back wages.
Asbestos diseases killed 26'

By JOSHUA RABOROKO

A TOTAL of 26 workers have died of various diseases at Everite Limited - a major manufacturer of asbestos cement pipes and building products - 58 percent are asbestos-related deaths in the past 30 years.

In a report to the WETAN, the company says it has accepted a total of 103 cases of workers who are suspected to have contracted the "killer disease" at its three plants countrywide.

The report records that six people have died of asbestosis; nine of mesothelioma; three of lung cancer and eight of other diseases. The company has acknowledged responsibility towards employees who contracted diseases while on duty.

This report comes in the wake of an anti-asbestos campaign launched by the Black Allied Mining and Construction Workers' Union (Bamcwe) following claims that thousands of people may die of asbestos-related diseases in the mines, especially in the northern Transvaal region of Pongo.

At its anti-asbestos conference in Soweto recently, the union resolved to intensify its campaign until the asbestos mines are closed in the country, just like in other parts of the world.

Referring to Everite's report, Bamcwe president, Mr Letsatsi Mosala, said they were concerned about the rate of deaths caused by asbestos, although the company's rate seemed to be lower compared to the number of cases in the mines.

"We have held meetings with Everite on the possibility of improving health and safety measures of their plants because many people may die as a result of asbestos-related diseases," he said.

The report says all employees who become disabled as a result of the disease continue to receive an income equal to their basic monthly salary, in addition to the money paid by the Workers' Compensation.

"By applying this policy and granting annual increments, the company ensures that the employee will be placed in the same financial position as if he had worked in his present position until the age of 65," the report says.

This policy applies to all workers despite their race groups. But, Mr Mosala said: "We are interested in seeing our people getting the same benefits as whites. There should be no disparity."
Cement industry is facing a big mix

COMPANIES

BUSINESS DAY, Monday, July 1, 1986
JOHANNESBURG CBD

Anyone for Marshall Square?

Johannesburg council's Marshall Square site, in the city's prime financial area, is going out to tender again.

The 3,000 m² city block, bounded by Main, Marshall, Sauer and MacLaren streets, was put out to tender as a result of a management committee decision in 1981. The requirement, at that stage, was that it be developed as an underground parking garage, with open space above. The original lack of interest has prompted council to change the rules — but again private enterprise is unlikely to be tempted.

Developers showed little interest the first time around because of the heavy costs of excavation and fairly soft parking rates. Thus the few offers received were well below council's bottom line, and plans to redevelop were shelved.

Last year, however, council decided to try again. It asked chief director, technical services, John Mortimer to look at an office block, plus general parking of not less than 560 bays.

Mortimer tells the $M$ there has been steady interest in the site over the years, and the council has received some offers.

In an attempt to make the proposition more attractive, the management committee now proposes a floor area ratio (FAR) limit of 2.8, with a 40% coverage. The height limitation has been set at seven floors.

But council is continuing to demand an underground parking garage for 550 cars. Additional bays needed by the developer for office tenants will have to be added to that.

If council sticks to its guns on the parking element, however, it could well scuttle any redevelopment plans from the start.

Any developer who built offices to full bulk would gain around 8,400 m² gross. Even at the lowest parking ratio of 0.5 bays/100 m², that would mean providing at least 42 bays. Added to the 550-bay council requirement, it would total nearly 600 bays.

Allowing full site coverage underground, on the basis of 30 m²/bay (an industry average which includes access and ramps), it would require six levels of underground parking.

The excavating cost alone would be prohibitive, points out Richard Ellis executive director Alastair Barclay.

The alternative, of excavating three floors underground for only half the parking and going up for the balance, would also present a problem, he points out.

Because any building above ground would be allowed only a 40% coverage, and with 9,000 m² required for the balance of the parking (for 300 cars), the entire seven permitted floors (and more) would be necessary for parking alone.

So it seems council is going to have to rethink yet again if it wants to attract development. Just one current problem is that parking rates are softening.

Mortimer, however, points out that parking is at a premium in this area. There is plenty of open parking to the west of the site, he says, but little, if any, under cover.

Anyway, with general redevelopment in the area, he believes that open parking in the area may eventually disappear.

Developers, however, are unlikely to be prepared to hang around longer.

BUILDING METHODS

Dropping bricks?

Hit by a 30% drop in sales since its halcyon days of 5 billion claybricks/year, the industry is gearing up to win back business on two fronts.

First, it is planning to maximise the benefits of any turnaround in the economy and, second, it is preparing to fend off a growing threat from manufacturers of alternative building materials.

The new national building regulations, due to be implemented in September, will do much to assist the opposition, including concrete blocks and timber.

The SA Lumber Millers' Association (Salma) is extensively advertising the advantages of timber-framed homes. And the Concrete Masonry Association is doing the same by creating a product showcase for architects.

Brick makers, meanwhile, are playing it cool. But they can, and will, fight back to regain what has been lost, says Brick Development Association of SA executive director Brian Moorehead.

To some extent the brick industry created its own problems by failing to satisfy demand during the last boom. This left the door open to competitors, particularly concrete.

Now, however, about 40% of the industry's capacity is unused. Its total stockpile is "unsalved" says Moorehead, but he doesn't see the surplus lasting more than two months when demand hots up.

The weapons it intends to use in its fightback campaign are improved quality and service rather than price.

"Everyone," Moorehead says, "is trying to gain market share from the brick industry on price."

Although alternative building methods have the major market share abroad, Moorehead believes that, in SA, bricks will remain top of the pile. "They are a traditional building material with a proven history that goes back thousands of years," he notes.

Moorehead speaks for about 100 members who account for about 90% of the industry's sales by volume. For him concrete blocks are "a second choice" and he says claims that timber-frame construction is cheaper are open to question.

However, Salma executive director David Eloff says his association is not trying to knock any building method. All the claybrick industry is trying to do, he claims, is protect its position.

Timbersmen, he says, are claiming only that there are advantages in the method of building. And the message is getting through fast.

"It's no longer a developing industry," asserts Eloff. "Two years ago there were probably less than 10 timber-frame builders, today their names and addresses fill four or five foolscap pages.

Concrete block ... rising to new heights
Toncoro factories to retrench 350 workers

Finance Editor
THREE hundred and fifty workers in Durban's Toncoro building material factories will be retrenched next week, executive chairman, Mr Cedrie Savage said yesterday.

'We have already had to lay off 3,000 workers and by the end, it could be 4,000,' he said.
The cuts were due to the slump in the building industry, which Mr Savage said, had reached a 'depression'. Sales of Toncoro products had fallen 35 percent in the past year.

Asked whether the trade unions would accept pay cuts rather than unemployment, Mr Savage said it was doubtful, especially in regard to their high demands at past wage negotiations.

Competition
Yesterday Mr Chris Saunders, the chairman of Toncoro's parent company the Tongaat-Hulett conglomerate, said 'There will have to be further retrenchments at all levels in certain divisions'.

He said demand for the goods they produced had been reduced and there was greater price competition in the depressed economic situation.

A spokesman said that the retrenchments would be in those companies which were not doing well.

Dealing with each division of the group, Mr Saunders said building material sales were 35 percent down on a year ago, and it could be necessary to 'further reduce production'.

Food
Food trading remained difficult but performance should be improved.

Aluminium had a satisfactory first quarter but was seeing a rapid fall-off in demand.

Textiles were unlikely to improve on last year's poor performance.

Starch and sweeteners were expected to have earnings similar to last year.

Engineering was feeling the effects of low profit margins while electronics and transport were performing satisfactorily.

Welcome rains had fallen for sugar and the industry would again exceed output of two million tons.

The world sugar price remained depressed.

There was little indication that the chronic over-production would be alleviated or that an effective international agreement formulated in the short term.

While the fall in short-term interest rates would help the group and further decreases were expected over the remainder of the year, 'the effect of the current economic situation on our markets and price margins made it impossible to predict with any certainty group earnings for the year'.

Mr Saunders said they were expected to be lower than last year - 603 cents last year against 118,5 cents in the previous year.

Mr Saunders hinted at difficulties in continuing their social programmes if profits were reduced.

He said that while business could be innovative and explore new options it was limited in what it could do 'in terms of profitability'.

'It is a company that is not a success because it becomes unprofitable, then all its contributions to society - as an employer, taxpay-er and as a corporate citizen - are lost.'

Mr Saunders warned that many companies were not able to recommend to shareholders the re-investment of profits in the business to maintain its capital.

Capital
This occurred partly because not enough after-tax profit was being generated and because the cost of capital was so high that 'one cannot earn adequate returns on the investment opportunities to justify it'.

High real interest rates would prove equally destructive to the social responsibility of business.

'Whether inflation can be brought under control without serious economic consequences and a dramatic change in our political philosophy is a dilemma which the authorities must now consider very seriously.'

He called on the Government to give urgent attention to the removal of 'major obstacles' such as...
DURBAN — Three hundred and fifty workers in Durban's Tonga building material factories will be retrenched next week, executive chairman, Mr Cedric Savage said yesterday.

"We have already had to lay off 3,000 workers and by the end it could be 4,000," he said.

The cuts were due to the slump in the building industry, which Mr Savage said, had reached a "depression." Sales of Tonga products had fallen 25 percent in the past year.

Asked whether the trade unions would accept pay cuts rather than unemployment, Mr Savage said it was doubtful especially regarding their high demands at past wage negotiations.

Yesterday, Mr Chris Saunders, the chairman of the parent company, the Tongaat-Hulett conglomerate, said there would have to be retrenchments at all levels in certain divisions.
360 workers laid off as brick plant shuts

Labour Reporter

MORE than 360 workers at one of Durban's oldest brick factories were paid off when Corobrik's Red Hill plant was mothballed yesterday because of the depression in demand for bricks.

The plant, which was first commissioned in 1937, was shut down during the 1977 recession but was started up again when the building industry boomed in the early 1980s.

A Corobrik spokesman said 307 factory workers and 54 transport employees were paid off. A skeleton staff would look after the plant which would be recommissioned when necessary.

When the Mercury visited the plant yesterday morning, it was almost deserted, with small groups of laid-off workers milling around pondering their futures.

The large overhead cranes used for hauling bricks from various parts of the factory to a central dispatching depot were lying idle for the first time.

Most of the workers cleared their belongings from the hostel and were returned to their homes by bus on Friday.
SOUTH Africa's cement producers are using only 60% of their capacity and are unlikely to increase output before the end of next year.

Berry Pavey, general manager of Cement Distributors of South Africa, the central selling organisation for SA's Big Three cement producers, Pretoria Portland Cement (PPC), Anglo-Alpha and Blue Circle, says the industry has an annual capacity of 11 million tons and will sell only 6.5 million tons this year.

Sales are down by 16.5% this year, and there will be no increase for at least another 12 months, possibly longer.

**Profits fall**

The poor state of the industry is shown in the interim results of two of the Big Three producers, Pretoria Portland Cement (PPC) and Blue Circle, which both suffered considerable profit declines for the six months to May and June respectively.

Anglo-Alpha's results for the six months to June are due in a few days, and will probably follow the pattern of PPC's pre-tax profit drop by 18%, and Blue Circle, the company in which Darling & Hodgson took a controlling interest only a month ago, suffered a pre-tax profit decline of 53%.

However, the decline in the cement market might not hit Anglo-Alpha as hard as the other two. Although cement is its main business, it makes up a smaller part of turnover and income than is the case with Blue Circle and PPC.

**Competition**

In 1984, cement comprised 57% of Blue Circle's turnover and 84% of income before finance charges and tax. PPC sourced 71% of its turnover and 64% of income before interest and tax from cement.

Anglo-Alpha depends on cement for 49.5% of turnover, and 56.8% of income after tax and before finance costs.

**Competition Board investigations into the Big Three's market-sharing and price-capping would affect profitability if the board acts against it.**

Such a move would undoubtedly result in higher costs for the Big Three, and would lead to price competition.

They save large sums in transport costs as customers place orders through the CIDSA, which routes them to the nearest Big Three factory. Without the system, each company would have to transport cement long distances to reach customers.

Mr Pavey says: "Three years ago people were anticipating a boom and said the cement industry was not prepared for it. We felt a lot of pressure to expand and now the plans we made then are coming on stream at a bad time."

**Boom bust**

"We believe we now have enough excess capacity to take us well into the 1990s," PPC's R300-million Dwalaloom cement plant near Thabazimbi should be commissioned early next year. Construction began in March 1983. Blue Circle has completed a five-year, R160-million project to increase capacity at its Lichtenburg plant, and Anglo-Alpha's R256-million Ulico cement factory was opened last December. PPC and Blue Circle both express pessimism about the current six-months, PPC predicting a continuing decline in sales volumes and both companies forecasting poorer results compared with 1984.

**Dividends**

It remains to be seen if Anglo-Alpha can live up to annual report predictions of achieving 1986 earnings "comparable with 1984", and dividends "in line with inflation".

In its previous six months, earnings a share were 46c and the dividend was 22c. Dividend cover was 2.1.

Dividend cover was 2.1.

In its previous six months, earnings a share were 46c and the dividend was 22c. Dividend cover was 2.1. Blue Circle also maintained its dividend for six months to March at 14c, but cover dropped from 5.5 to 4.3. Blue Circle also maintained its payment for the six months to June at 11c, and cover fell from 2.8 to 1.9.
Cement war ends as importers pull out

Property Editor

Natal’s bitter cement war, which is thought to have cost an estimated R50 million, is over, and the surviving producer, Natal Portland Cement, made it clear yesterday that although discounts would continue until September 30, pre-discount prices would be quickly reinstated.

A brief announcement yesterday by Mr. Heinrich Dammes, managing director of Cement Enterprises in Durban, said its operations would shut down when the ship, Sun Roko, had completed its discharge of cement in Durban, around the middle of August.

Mr. Dammes said, “The present economic climate no longer justifies our operation which started one year ago.

Unloaded

‘Discussions have been held with Natal Portland Cement, which will ensure the continuity of cement supply once the discharge has been completed.

‘While we regret having come to this decision, we would like to thank our customers and friends for the support we have enjoyed during the period we have operated,’ said Mr. Dammes.

Deteriorating During the past 12 months 200,000 tons of Spanish and Japanese cement — 2 percent of the annual national market — had been unloaded in South Africa in six shipments.

Staff would be retrenched but he declined to say how many would be affected, although it is estimated that fewer than 100 would be involved. Several of the factory’s officials would be offered employment elsewhere.

Increases

Local producers and importers have increased cement prices at levels which will allow a basic input cost in plant and marketing of R45 per ton.

We were unable to stand up to the possibility of running our policy of discounting on a long-term basis, which has remained unchanged for more than one year,” he said.

At the time of writing, the price was R58 per ton, but this was expected to rise to R60 per ton.

The two-month period and customers would have been able to enjoy a margin on the discounted prices.

* TURN TO PAGE 2
PPC could mothball huge new cement plant

CAPE TOWN — PPC (Pretoria Portland Cement) is considering the mothballing of its new 600,000 ton per annum cement factory under construction at Dwaalboom in the Northern Transvaal.

MD Mr Guy Luyt said that “because of the economic situation which has resulted in a drastic drop in cement demand, it is unlikely that the new capacity will be required before 1987 according to current projections.”

Although the plant is, in line with normal policy, being commissioned in stages as sections are completed, the factory is due to come into full production only in 1986.

OPERATING STAFF

Although the carrying cost of non-operating plant will be high, this is a far less costly alternative than shutting down an already operational factory. The factory at Dwaalboom has not yet been fully staffed and arrangements regarding existing staff are in hand.

“It is likely that we will be in a position to accommodate all the operating staff currently employed at Dwaalboom.”

The cost of the Dwaalboom plant was well within the budget of R300 million, he said.

Very keen tender prices were obtained. In the longer term, PPC will be in a very favourable position with no major capex requirements over the next few years, while having sufficient capacity to cope with demand increases for a considerable period ahead. — Sapa.
bewing leader Eugene Terre'Blanche recently told the FM his vision is to reinstate the Boer republics of Transvaal and the Free State, while he is happy "if P W Botha and the coloureds in the Cape and the English, the Indians and the Zulus in Natal work out something they are prepared to live with."

In Natal itself, with the possible exception of parts of northern Natal, the idea of joint administration is likely to be supported by many Afrikaners. Afrikaans Heldensedu institut, for instance, has expressed itself against independence of Kwazulu and for closer co-operation between the Kwazulu and Natal administrations.

Surveys done in 1981 for the Buthelezi Commission indicated wide support among whites, coloureds and Indians for the commission's proposals. Schlemmer, who was in charge of these surveys, says this support has increased significantly, especially since the white referendum and the implementation of the new constitution.

Says Natal University vice-principal and Buthelezi Commission chairman Professor Denyes Schlemmer: "The urgency of the situation requires bold action by our politicians. The public of Natal, of all race groups, cannot afford the passive acceptance by our present politicians of the subjection of local variation to a central policy totally unsuited to this area."

Indeed, there will not easily be another chance like this to start the slow process of normalising SA society. All that is needed is courage and a leap of faith by government. Natal is waiting.

---

**VOX POPULI**

"The Natal/KwaZulu Option" is the talk of Natal. Seminars on the topic are being held, local newspapers write about it regularly, it is widely discussed by organised commerce and industry — and even the man on the street is talking about it. This is what some Natalians say.

- **Richard Castle**, chairman of the Pinetown branch of the National Party and prominent Durban stockbroker: "The ordinary white in Natal will support it if he knows that the new government is not going to turn Greyville into a soccer stadium. He does not want the old colonial lifestyle of Natal to be changed. I will support it if law and order is undermined by the central government and if the new administrator swears his loyalty to the SA State President."

- **Grant McCallum**, a Pietermaritzburg accounts clerk: "If this is going to keep the kind of black violence we have seen on TV away from Natal, why not? Buthelezi seems to be a moderate and responsible leader. I can follow him."

- **Tony Ardington**, chairman of the SA Cane Growers Association: "We in Natal still have a strong black leadership who can give credibility to new initiatives and who have the strength to look at political possibilities rather than totally uncompromising policies. I believe this to be our single greatest political asset. I believe we must act quickly to ensure the opportunity and the asset are not lost."

- **A young Durban architect**: "The atmosphere in Natal is far more laid-back than elsewhere in SA. I grew up with the Zulus and I respect them as a nation. I have no problem with Chief Buthelezi being my provincial leader. It is in our mutual interest that we have peace and stability in Natal and that standards are not lowered."

---

**PLATE GLASS**

**Global challenger**

Plate Glass's joint executive chairman Bertie Lubner is regarded as a more conservative man than his brother Ronnie, with whom he shares the chairmanship of Plate Glass (PG). But there is no doubt that the brothers' complementary skills have expanded PG from a local family-run timber and glass business into SA's biggest industrial multinational.

The market is impressed and has rated upwards PG's share and that of its holding company, Placro, which is jointly controlled by the Lubner family and Liberty Life PG capital was traded and both shares are tightly held. But PG is considered soundly run, holds dominant shares of its markets, has attractive international exposure and promises solid and sustained longer-term earnings growth.

"Ronnie and I don't run the business," says Bertie, "we motivate it. We are getting a better market share because our people are motivated. There is a confidence in our executives, there's depth of management. We employ top-rate people with leadership qualities. We agree on philosophy, but the man-

---

**DIFFERENT VENTURES...**

Divisional contribution to sales and operating profit (includes associated companies)

- **Operating profit**
  - Egolglas International
  - P G Wood Industries

- **Sales**
  - Egolglas International
  - P G Wood Industries

---

**LED OFF SHORE**

Contribution to sales and attributable earnings by country

- South Africa
- USA
- UK/Europe
- Central Africa
- Australia
- South Africa
- Non-South African
companies' high gearing, as SA exchange controls have limited the export of adequate equity to fund these operations. The rand's depreciation has also magnified the interest bill in rand terms.

At home, the need to finance a longer-term debtors' book in recessionary times, and higher stockholding costs (owing to the weak rand and inflation), have further raised borrowings. Lower interest rates will reduce the interest bill, although progress will be slow, but Lubner stresses that PG's low 38% debt equity ratio (0.33 in 1984) places group borrowings within a comfortable margin.

Returns on capital

Of longer-term importance is the likelihood of reduced returns on capital employed compared with historic levels. Returns before interest and tax on capital employed fell from 28.8% in 1982 to 18.7% in 1985. Much of this decline is, of course, the result of the recession, but Lubner indicates that the previous group target of a 25% return before interest and tax on capital employed may have to be revised.

This would largely be the result of lower returns earned on non-SA investments. Despite the economic upswing overseas, these last year contributed 31% of turnover but only 32% of attributable profit—and that at a time of a weak rand and SA economic recession. Lubner argues that SA historically offered higher returns owing to its higher inflation rate and the group's entrenched position, while in the highly competitive but politically stable markets of the US, UK and Australia, a 25% return is impossible.

"A strategy of quality and security of earnings," he says, "means lower returns, but we know what we are going to earn. The more we go overseas, the more our return on gross assets is going to come down."

Yet overseas earnings certainly bolstered income in the year to end-March, and contributed to results which were better than the market expected. Lubner says PG benefited also from the lagging situation, in that most timber and glass sales come at the end-stage of construction which was not badly hit in 1984, as construction contracts awarded in earlier years were not yet complete.

Earnings in the year to end-March 1986 will look a lot more grim and trading conditions will severely test managerial skill. In SA, the sharp slide in demand for wood and glass, in PG's main furniture, motor and construction markets has placed margins under severe pressure. Abroad, there are signs that the US economy is slowing down and Solaglas's foreign profit in absolute terms may not be as strong as last year.

On the wood side, Interwil's margins are being squeezed as falling timber prices and the dollar's volatility have caused customer destocking, delayed purchases, and the need for write-downs to reflect the lower value of timber stocks. (These are priced in dollars and Interwil makes its best profits when world timber prices are rising.) The Central African division is recovering but Lubner does not expect increased profits this year.

SA exports will provide compensation and Lubner forecasts that wood product exports could rise from R3m to R10m this year and glass exports from R18m to R40m. However, shareholders would do well to brace themselves for an earnings slide.

The dividend looks safer as PG's policy is to maintain consistent dividends and cover remain at a fairly comfortable 1.9 times. Last year's unexpected rise in the total dividend from 100c to 105c, despite lower earnings a share, was in line with the aim to show at least some dividend improvement. The dividend had shown minimal growth compared with 1982, and, unless earnings fall too drastically, this year's dividend should be held.

Challenges of growth

Longer-term, the group faces the challenge of avoiding asset growth which outstrips a commensurate rise in profit. But overseas-sourced profit will continue to grow and Lubner believes the UK offers exceptionally good prospects as heavy start-up costs are absorbed and Solaglas captures market share. Growth in the US will have to come from new activities outside of motor replacement glass and PG recently took over a flat glass trading company in Texas. Australia remains very cyclical.

As for SA, Lubner sees tremendous profit potential once economic recovery comes. "We can absorb another 30% of turnover and the fixed cost element would hardly change," he says. "We could produce 15% on SA sales, far higher than any profit increase overseas, compared with a present 8%." Listings of either of the two operating divisions, or of some of the overseas companies, are possible, though not in the immediate future. Since mid-July, the PG and Plasco shares have retreated as the market declined. Placo falling by a relatively sharp 20% PG's share now stands at R20, which yields 5.3% on dividend compared with the industrial holding sector average of 5.6%. After the recent price surge, the shares would appear to represent more long-term value. Placo, by virtue of its higher dividend yield, is perhaps marginally more attractive than there is no doubting their potential. The problem with buying these stocks is that they are difficult to get.

---

Christopher Macshand
Disputes hit BTR hard

BTR SA's interim earnings were hammered by labour disputes. Profits could continue to be affected in the second half.

Chairman and MD Peter Fatharly says in the interim report that, while BTR welcomes constructive participation of unions, "it cannot accept disruptive, destructive and political actions which are totally incompatible with the successful running of a commercial operation."

Earnings slumped by 47.4% to 15c in the six months to June from 29.5c in the 1994 half-year. The interim dividend has been cut to 12c from 19c. Cover has been reduced to 1.25 from 1.5.

The Sarmcol strike, sit-downs and go-slows resulted in a sales loss of R9.66m, reducing interim sales to R45.8 from R61.9m in the 1994 half-year.

Attributable profits were reduced by R2.93m, resulting in a slump to R2.27m from R4.21m. In addition, realised losses at Sarmcol and other costs make up extraordinary losses of R1.1m.

However, BTR's liquidity improved. Total borrowings were reduced to R16.46m, from R19.63 at the end of December, and the ratio of borrowings to shareholders' funds improved to 35% from 42%.

Terms and conditions of the BTR SA/Dualop SA merger will be announced at the end of this month. The merger will create a powerful group and BTR shares, currently trading at 460c, should be viewed in this light.
Gencor’s construction arm keeps out of the red

By Peter Farley

Gencor-controlled construction companies Darling & Hodgson and Group Five hung on to profitability in the six months to end June, but both passed their interim dividends.

In fact, had it not been for substantial tax benefits, both companies would have ended up heavily in the red.

Although turnover levels remained pretty constant — in real terms, however, business was about 20 percent down — operating profit slumped heavily from the corresponding period last year.

This time last year operating margins in D & H were a paltry 7.3 percent, but have subsequently fallen to a slim 4.3 percent.

The prospects for the rest of the year are hardly exciting, with management expecting the position in Group Five, particularly, to deteriorate as margins shrink further.

D & H looks slightly better placed, with an improvement in the road building industry expected to help the bottom line. In addition, the group’s coal interests, which have already done much better, are forecast to show even healthier returns in the second six months.

D & H’s net income slid to 6c a share from 4c in last year’s first half, while that of Group Five dropped to 7.1c from 34.5c.

During the period under review there were significant changes in the composition of D & H, with its stake in Blue Circle increased to 42 percent, 55 percent of its materials division sold to Blue Circle and the sale of its 50 percent shareholding in Pearce Shipping.

The loss on the sale of this latter asset cost D & H almost $10 million, but this is considered satisfactory in light of possible future losses on the shipping sale.

Gearing in Group Five remains under control at about 30 percent, but in D & H the small rise in long term liabilities to R130 million and the fall in shareholders’ funds to R147 million puts the gearing ratio at almost 90 percent.

Finance charges in D & H did not, however, rise substantially. But at R14.3 million they slightly exceeded the operating profit generated in the first half.

Neither company is too comfortable at the moment, but when business activity does pick up both should be well placed, particularly D & H, to take advantage of the increased workload.

D & H’s share price closed yesterday at 730c, while Group Five stood at 240c.

Both have eased back in recent weeks, from respective July peaks of 810c and 350c. There may be slightly more downside potential, but it is likely to be on the back of pretty thin trading and a lack of buying interest — rather than any mad rush to sell the shares.
Plastering cracks

The plan to mothball the newly-built 300m Pretoria Portland Cement (PPC) Dwaalboom plant in the northern Transvaal says it all — SA's cement industry is over a barrel until the economy picks up.

The move also suggests that cement producers will think twice before again plunging headlong into rapid expansion on the scale of the last five years. During this time more than R840m was ploughed into new facilities.

The building industry, of course, is especially susceptible to economic leads and lags, but with the recent increase in capacity any danger of bottlenecking in the near future looks remote.

"Because PPC is currently operating at only 65% of capacity we opted to mothball Dwaalboom rather than close existing facilities," explains commercial director Charles Holman.

One source of comfort is that Anglo Alpha's Ulco plant and Blue Circle's Lichtenburg wet kiln replacement also came on stream as the recession deepened. The final decision to put Dwaalboom on hold for two years will be taken by PPC directors in September. But this is widely seen as a formality.

And now, at this critical time, the Cement Distributors of SA (CDSA) — the industry's central selling organisation — is set to review its long-term pricing policy.

Already there is speculation that the cartel's sluggish performance could cause cracks in the market-sharing agreement. Effectively this prevents pirating sales from other producers.

And since the Competition Board (CB) will be keeping a keen eye on new price moves, the triumvirate is unlikely to call attention to itself by disagreeing on the level of next year's increases.

At this stage the scope for a major hike is limited anyway, and will remain so until the building and construction sectors recover.

The fact that cement sales on the Reef in the first six months of this year were 19% lower than last year's first-half is telling. Future demand, however, still looks promising. Population growth, increased black housing, and infrastructure development are seen as healthy indicators for the longer term, although overseas markets appear to have reached a virtual plateau.

But in the interim the volume-sensitive industry will continue to buckle under high fixed costs and the penalties of having planned for a rise in demand which still looks a long way off.

There will thus be difficulty in reaching a price level which will allow producers the 15% return on capital allowed by the price controller. To reach this level of return, it is said that prices would have to rise 20% next year. This would add R12.49/t to the cement price — which the industry majors agree is unobtainable.

In January, a 12.6% price rise was slammed as too high because of the industry's capacity underutilisation and competition from imports. Both problems have since fallen away (Business August 9).

PPC, which carries most clout in the industry, seems to favour a single-digit increase, but CDSA GM Barry Pavey believes the rise is more likely to be fixed around the inflation rate, suggesting a 15% hike.

The cost of pumping R840m into new facilities is taking its toll, with the average cost/ton of capacity soaring from around R70/t in 1960 to the current R335/t. And this is likely to rise further when Dwaalboom comes on stream.

Indeed, even the JSE recognises the problems facing cement companies since the current price per share, as a proportion of net asset values, is well below the average for the building and construction sector (see table).

Dwaalboom, for example, is expected to yield a paltry 3.75% initial return on investment "Small wonder," says PPC financial director Charles Vermeirgen, "that there have been no new entrants to the cement industry in 50 years."
Krubill Multibrick have patented and developed the most amazing and exciting building concept in the last 100 years or more, an interlocking cellular concrete brick, designed to be laid dry without mortar and to be used by unskilled labour with minimal supervision.

The first course is laid by a skilled artisan then each subsequent course is simply slotted in to the earlier one. The same brick is used throughout the structure, half-bricks are made to ease the laying of bricks for angle walls.

Much of the design effort has gone into refining down the basic concept so that it is simple, low cost and effective. The bricks themselves can be manufactured by machinery manufactured by machinery manufactured, wholly in South Africa, with a certain modification to the present machinery available.

Easy

The bricks are so easy to handle and assemble, so simple that very high speeds can be achieved even by someone who has never laid a brick in his life.

Multibrick maintains that an unskilled worker after one hour's training in the system could lay 500 or more bricks an hour.

Simple subframes in metal which are "wrap-around" enable doors and windows to be built without the need for cutting of bricks or for the need to support the doors or windows in the conventional manner with wooden stays.
Big Three cut Reef cement price

By Don Robertson

THE Big Three cement producers have cut the price by R3 a ton on the Reef in an effort to stimulate sales.

The industry is suffering from a sharp decline in demand which has reduced production to about 65% of nationwide capacity.

Pretoria Portland Cement announced this week that its huge Dwaalboom factory on the North-Western Transvaal would be put on a care and maintenance basis for possibly as long as two years.

Alpha's Grey Dico plant near Elandsburg West has been closed for a month for modifications. Loss of production will be about 100,000 tons of cement.

Increase ahead

Although Reef customers will benefit from the price reduction, they will be hit by a nationwide price increase of up to 25% which is in the pipeline.

The price reduction will save the construction and building industries on the Witwatersrand about R6 million a year.

The decision to reduce prices follows a switch in Reef customers' ordering patterns, which resulted in a decline in off-take from cement factories in the area. They are working at only 25% of capacity.

The factories belong to Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle.

For cost reasons, customers have been buying cement from plants in the Lichtenburg area of the Western Transvaal and have put pressure on their ability to meet demand. Using road transport, cement can be delivered from these factories to the Reef at a lower price than charged by factories on the Witwatersrand.

Railage

Factories at Roodepoort, Witpoort near Brakpan, Jupiter, Hercules near Pretoria and Indusuria, Johannesburg, have been charging R78.40 for a ton of bulk cement. It is based on the selling price at the Lichtenburg Plants, plus the railage rate to the Reef. An additional R6 a ton is charged for transport to the construction site, depending on distance.

To counter this, Reef factories have cut their prices to R75.40 a ton from R78.40.

Ronnie Searle, deputy managing director of Anglo-Alpha, said yesterday: "The R3 reduction will probably not be enough to achieve what we want, and we might have to reduce prices further."

However, the R3 price cut

Cement cuts

is sufficient to counter an 8c rise in the price of bagged cement, also announced this week. Bagged cement on the Reef will now cost R4.17 compared with R4.24 previously.

Anglo-Alpha has also announced the introduction of a cement product called PC180L, which incorporates a slag extender. It will sell for much less than ordinary cement at R7.1 a ton, or R3.95 a bag.
Swaziland bricks will be competitive

Properties
Editor

SWAZI-made bricks are coming to Natal, and the importers have promised that prices will be competitive compared with local products.

Brian Abern, managing director of Durban-based Alumination, promised in an interview that the firm would be able to hold prices, especially on large contracts.

The bricks, which will be supplied from the Langa Brickworks in Swaziland, are expected to make an impression because of their light, champagne colour which cannot be reproduced from clays in Natal.

Mr Abern said a depot is being established in Phoenix Industrial Park, north of Durban, about one million bricks would be kept in stock.

At present, the imports will come by road and rail links. These damaged by floods some time ago.

In spite of the obvious extra cost of this transportation, Mr Abern is sure the prices will be competitive because of the lower overheads involved compared with the opposition.

He and fellow directors, brothers Tony and Richard Davis see nothing out of the ordinary in a water-proofing company moving into the brick-marketing field.

On the contrary, after years of protecting roofs, they see building — and the protection that provides — as a natural progression into total weather-proofing for buildings.

Mr Abern said: "An architect commented: 'Weatherproofing is protection for the roof and brickwork is protection for the interior.' So we are now in the protective coatings business. We wrap the whole building in a way.

There are few waterproofing companies who can say they can re-roof a building and not provide the walling. "We offer a whole weather protection package — yes, we do flooring, as well.'"

Last year waterproofing contracts involved 100 000m² of roofing — something in the region of eight rugby fields — were undertaken.

The company began operations in 1966 in Park Street, Durban before moving to Clara Road. It moved to Sydney Road a year ago because growth demanded more space for materials, which are mainly imported and trucks and because of a need to be situated in a major industrial area.
Soaring demand for glass

By ROGER WILLIAMS
Chief Reporter

THE growing unrest in the Peninsula is causing a soaring demand for replacement of windows and windscreenshattered by bricks, bullets, stones and other missiles.

The manager of one City glass company said yesterday that his firm alone was handling 50 riot-damaged vehicles of all kinds a day — “and we’re having to work from 7am to near midnight to keep up-with demand.”

Mr Rodney Schneeberger, managing director of the SA Special Risks Insurance Association (SASRIA), said from his Johannesburg office that the association had noted “a significant increase” in claims for riot damage in the Western Cape in the past three or four weeks. The extent of the increase could not yet be assessed.

Mr Schneeberger said claims totalling R19-million for riot damage in the waves of unrest that had swept through South Africa since August last year had already been met, and further claims country-wide worth at least R21-million were still outstanding.

Not so comprehensive

SASRIA was established last by the SA Insurance Association, specifically to handle claims arising from political unrest.

A short-term insurance expert in Cape Town pointed out that a number of motorists whose cars had been damaged in the unrest were discovering that their comprehensive policies did not cover riot damage.

Cape Town glass companies are being inundated with orders for the replacement of fittings shattered by missiles. The average cost of a car windscreens upment is about R260 and a full set of windows could cost more than R1,000.

The manager of one firm said his windscreens replacement turnover had trebled since the outbreak of in the Peninsula and that his staff were “stretched to the limits to try and keep up with the orders.”

The windscreens of one particular truck had had to be replaced on three successive days after it had come under fire from stone-throwers, he added.

20 vehicles a day

Spokesmen for firms specializing in windscreen protective film also said they were working under pressure and that many companies were having their entire fleets fitted with the film for protection of the vehicles’ occupants.

One such firm, in central Cape Town, with a normal turnover of three or four vehicles a week, is now fitting protective film to about 20 vehicles of all kinds a day.

Orders for shop-window replacements in the Peninsula have also increased appreciably, and in terms of legislation introduced in September, all ground-floor shopwindows in public areas have to be replaced by safety glass, for the protection of passers-by.

One glass-store manager said he was having to travel armed with a shotgun to examine window damage and give quotes.

“We’re not delivering glass into the unrest areas anymore,” he said. “We’re just sick and tired of having our staff and our vehicles injured and damaged by stone-throwing hooligans.”
THE cement industry is adamant that its 13.5% price increase on December 1 is justified.

"The price increases across our range of cements are less than the increase in the consumer price index (CPI)," said David Brokhouse, distribution manager of Blue Circle.

"This reflects our absorption of cost increases and the fact that we are not passing on the effects of the excess capacity in the industry." Brokhouse and deputy MD of Anglo Alpha, Ronnie Searle, agreed that the old price control formula would have rendered a higher return to the producers, and a higher price to consumers.

"Clearly this would have been unacceptable to customers and an increase less than the inflation rate is to be implemented," he said.

Both parties also stressed that the industry had absorbed a 10% rail tariff increase from April 1.

This, they said, constituted about 40% of the delivered price of the product.

"Increases well above the inflation rate for power, coal and other fuel have been absorbed. These are all expenditure items of significant impact on the manufacturing cost of cement," said Searle.

"But," said Brokhouse, "railage rates, electricity tariffs and coal costs are expected to increase again during the first part of next year and it may be necessary to make some further adjustments to our prices when these occur."
Workers get wage boost

The Chemical Workers Industrial Union finalised wage agreements last week at Pilkington F., Glass in Springs and at Cyanamid in Waterval.

A spokesman for Pilkington said the minimum wage had been increased to R300 at no cost. An extra week's leave bonus improved long-service allowance and two additional public holidays had also been negotiated.

At Cyanamid the minimum wage increased to R70 an hour, an increase of 72c at no cost. The workers' sick allowance public holidays and service leave have also substantially improved.
Cement men push on in lean times

SA's cement producers were bringing new plants on stream when demand had dropped by 16%, capacity utilisation was down to between 6% and 65% and the industry was heavily borrowed, according to Blue Circle financial director Peter Kett.

But, he said, the industry expected to grow "even faster" once solutions to the country's problems had been found.

Addressing the Construction Writers Club in Johannesburg, he said the industry had "just about bottomed out" but could not look for a recovery in 1986.

"A series of disastrous political developments this year has kept confidence down," he said. "But the cement industry still has total confidence in the country."

"We don't see the end of the world round the corner and I believe that whatever the political colour of the next government, the country's need for cement will grow."

He blamed the untimely development of additional cement production capacity on the industry's lack of foresight. To break even the industry had to operate at a capacity utilisation of 70%. When the figure rose above that, producers showed profits. When it dropped below, the industry lost money.

SA had a cement production capacity of 11-million tons of cement, he said. Last year the country used 8-million tons.

The growth of the cement industry could be linked to the gross domestic fixed investment. In 1981 it had grown by an unprecedented 40% and it had held steady for two or three years.

Discussing the industry's recent battle with cement importers, he said SA producers were not afraid of competition, but what had alarmed them was the degree to which foreign exporters were prepared to undercut prices to buy a share of the market.

Japan, for instance, sold cement at $34.45 a ton domestically, yet it was prepared to cut the price to $20 a ton in its drive to capture the SA market.

He said: "Japan has a cement capacity of 140-million tons, and a domestic market for 70-million tons. Its 70-million ton surplus is for export."

Had SA not had a local cement industry, he added, the price of cement on the Reef would be R150 a ton instead of the R89 being paid now.
Demand down, but cartel increases cement prices

Financial staff

The South African cement industry, which is parcelled out, packaged and shared by the manufacturers' cartel, recently announced a 13.5 percent price increase from the first of this month.

And as is often the norm in South Africa where there is no alternative for the purchaser, prices are increased with no compunction when demand falls. Natal got a price cut only when cement imports actually upset this tranquility.

PPC Chairman George Buterman, commenting in the company's latest annual report, says cement demand in 1986 is expected to decline by a further 10 per cent compared with 1985, to reach levels last experienced in 1976, but that the dividend of 43 cents is expected to be maintained.

Discussing prospects for the coming year, he says: "Certain important economic indicators suggest that the present recession in the construction and related industries will be both longer and deeper than generally thought."

"With two short-lived exceptions, the total real gross domestic fixed investment index has continued to decline since 1982. This index is closely correlated with cement demand and indications are that this will decline further in 1986."

He says that the group's large division, which makes over a more stable market, is budgeting for a small improvement in both volumes and profits, while no investment income from associate companies is expected.

"Working costs such as the imported cost of replacement parts for equipment have escalated and administered prices are also expected to increase further," he says.
Another cement increase

By Don Robertson

SOUTH African Transport Services has taken the cement industry by surprise. The decision to increase freight tariffs by 15% from January 1 — four months ahead of the traditional review — will force cement producers to raise prices twice in two months.

Two weeks ago the cement industry announced that prices would increase by an average 13.5% on December 1, but that it would have to pass on any further rail tariffs when they occurred.

Cement producers have been forced to increase prices by an additional 2% from January 1.

Ronnie Searle, deputy managing director of Anglo-Alpha, says producers will absorb all inward railage costs for the movement of raw material, such as coal, gypsum and limestone, and the transport of cement and clinker to distribution depots on the Witwatersrand.

However, the outward transport of cement to the consumer, which often costs more than the factory price of the cement, will have to be passed on.

Prices to retail consumers, which use about 40% of cement production, will not rise. Although the average increase will be 2%, it will be higher in destinations a long way from cement plants.
Glassworkers down tools

Labour Reporter

WAGE negotiations between PG Glass and the Chemical Workers' Industrial Union continued today after a work-stoppage at the Epping plant.

Mr. Albert Peters, managing director of the company's Western Cape division, said the stoppage by about 200 workers was connected with the negotiations. He said only the company's glass division was affected.

Spokesmen for the CWIU, an affiliate of the new Congress of South African Trade Unions, were not available for comment.
Cement price increase wasn't justified

It's questionable whether for Pretoria Portland Cement - which supplies 46% of South Africa's cement needs and produces 65% of its lime - the cement cartel's recent 10% price increase was justified.

During the past year, building and construction were badly hit by the slump. Despite this, PPC held up well. Turnover was marginally down at R295,2 m (R340,7 m), while attributable income was R55,9 m (R67,7 m). Earnings a share were 15c (19c) while dividends remained unchanged at 43c.

In the light of the eight previous years the group has little to complain about. Annual net income before tax has averaged R70 m, while attributable income has averaged R60 m. Over the past four years, net income expressed as a percentage of average shareholders' equity was a high 19%.

Chairman George Butterman's report was satisfactory. Results should be viewed against the cement market's downturn and tax benefits, he states.

Cement sales declined 20% against 1984 volumes. Thus, together with only R4,05 m investment income (R12,83 m) resulted in profits before tax declining R21,4 m to R23,7 m. Use of the tax investment allowance of R20 m on the Dwaalboom factory reduced the tax charge by R10,2 m which cushioned the drop in profit attributable to shareholders to R55,9 m, only 3% down on 1984's amount.

During 1985, South Africa imported 200,000 tons of cement which triggered off a price war resulting in the importers withdrawing. According to Mr Butterman, the industry suffered a considerable loss.

Imported cement was evidently dumped, with hard-sought foreign currency used to pay for it. Mr Butterman advances a sound argument that local material and local labour is prejudiced by such imports.

The South African cement industry, like its counterparts elsewhere in the world, has to contend with high capital intensity and unelasticity of demand.

High cost of transport is a major problem, and the group is exploring the possibility of establishing its own road transport fleet. As a first step, Cooper and De Beer, a cement distributing company, was acquired subsequent to year-end.

Today, transport costs account for 40% of the consumer price. Increasing cost of replacement of road transport equipment and spiralling fuel costs will play a major part in future prices.

Mr Butterman contests the validity of arguments that cartels can lead to inefficiency and lack of productivity and that product supply can be artificially limited to drive up prices and erect entry barriers against new entrants. He cites the US where enforced competition has curtailed expansion, with the result that outdated, obsolete plant now constitutes a large proportion of the capacity causing dependence on imports.

PPC has been caught up by the recession, and had to mothball its new R200 m cement plant at Dwaalboom.

Economic indicators suggest that the present recession in construction and related industries will be longer and deeper, warns Mr Butterman.

Cement demand will decline in 1986 with the decline in building plans. The expected 10% cement demand decline will result in PPC back-tracking to its 1976 levels. But the cement road-building programme might save the industry.

The lime division is expecting a small improvement.

No investment income from associated companies is expected.

Interest on borrowings relating to the mothballed Dwaalboom plant will be charged against profits. I believe it would be fairer to show this expense as an extraordinary item below the net income line.

Depreciation on this plant will be shelved until production begins. Earnings per share are expected to decline by more than a third to about 10c. If this happens the 43c dividend will be maintained.

Balance sheet numbers are suffering from a staggering R128 m increase in fixed assets. Now standing at R698,75 m, Total borrowings are materially up at R81,26 m (1984 - R56 m).

The impressive bank balance of R53,3 m a year ago is now replaced by a R64,7 m overdraft.

Working capital ratios are under attack. The ratio of current assets to current liabilities is only 1,21 (1984 - 2,06 l). The acid test ratio of current assets less stocks to current liabilities is about 0,59 l (1984 - 1,37 l).

After reading the 1985 annual report, I believe the cartel was wrong to increase cement prices by 10% if demand declines, surely it is better to drop prices in the hope of maintaining sales and hence production.

If production can be increased, even if selling prices are lowered, thus ensure the spreading of fixed overheads over a greater amount to maintain profit levels.

Why increase prices and fuel inflation? Even if the cement cartel companies experience lower profits, while productivity of the construction and building industry is increased, surely this is better for the country? It would also mean greater employment and fewer retrainments.

Dwaalboom does not justify a cement price increase. The cartel, with its routine price increases, is not making life easier for itself or the ailing building and construction industries.
May Day holiday won by Mawu

Claire Pickard, Cambridge

The Metal and Allied Workers' Union (Mawu) has become one of two Fosatu unions to win a long battle to be given May Day as a paid holiday.

Both Mawu, at the Van Leer factory in Durban, and the National Automobile and Allied Workers' Union (Naawu), at Wayne Rubber, also in Durban, recently won these concessions during annual wage negotiations. Both managements have confirmed that full wages will be paid except when May Day falls on weekends.

Plate Glass and Pilkington Glass in Port Elizabeth are understood to have been the first SA companies to grant May Day as a paid holiday in agreements last year. Fosatu's Chemical Workers' Industrial Union (CWIU) organises at both factories.

Industrial relations consultant Gavin Brown says workers have been demanding May Day as a paid holiday in SA since the 1920s. He believes the granting of Labour Day as a holiday will become an increasingly common trend in keeping with international practice.

"I don't believe many managements still see this as a non-negotiable issue, especially as unions have indicated they are prepared to make fairly major concessions to win May Day as a paid holiday."

Brown added there were now about a dozen companies — especially those whose workforce were on short time — who made ad-hoc arrangements to allow workers off on May Day, but usually without paying them...
MANUFACTURING - NON-METALLIC MINERAL PRODUCTS

1986
A new design concept implemented for the first time in South Africa is this winged arch-beam bridge over the Jukker River on the border of Pallmeadow and Senderwood in Johannesburg. The construction is being carried out by Araco Superlite.

Growing demand for new cement-slag mix

By Frank Jeans

There is growing demand for Parktown-based PPC's new cement, which is claimed to save about five percent on the price of the ordinary product.

Now on the Transvaal market, the mixture has 65 percent cement and 35 percent blast-furnace slag.

Mr. Dick Mantel, technical manager of PPC, says the cement is superior to ordinary Portland cement (OPC) in many applications as it yielded higher strengths in the long run.

"When tested in accordance with standard specifications, the new cement has the same strength development as OPC up to 28 days and thereafter strengths tend to exceed those of the traditional product," he says.

In properly supervised building contracts, Mr. Mantel claims that concrete structures will be far more durable with the new cement as it makes a denser concrete and is less liable to attack by environmental change.

Arabie go-ahead

LTA has begun work on the R35 million Arabie Dam at Olifants River, 30 km north of Marble Hall — a project in which roller compacted concrete (rollercrete) is being used on a large scale.

Rollercrete construction is widely accepted elsewhere in the world and is seen as a major breakthrough in concrete technology.

By using the technique, LTA Civil Engineering (North) has established a construction schedule of 22 months — 14 months less than if conventional methods had been used.

The Arabie Dam will regulate the Olifants river flow for urban supply and irrigation in Lebowa.

Export link

A 6 km rail deviation on the coal export line to Richards Bay is being completed by Grnavker Construction (Transvaal).

The improvement will be a boon to the massive coal haulage to Richards Bay — the trains are more than 2 km long — and is another project on the line in which Grnavker has been involved with contracts totaling R13 million.

M&R Training

Companies in the Murray & Roberts group have launched a new scheme which will lead to the training of 11,000 workers in construction skills before the end of March 1988.

The training school at Prospection, Natal, under the M&R (Natal) banner has been under-utilised because of the economic situation. Now it is full house again with students eager to learn a trade.

Indeed, demand has been so strong that M&R has opened a similar school at Richards Bay and plans others at Maritzburg and South Coast areas.

Group Five in PE

Group Five Building (East Cape) has won a R4.3 million contract for phase one development of a post office and regional headquarters in Port Elizabeth for the Department of Posts and Telecommunications.

The project is said to be the largest building contract in PE at present.

The contract calls for the demolition of buildings on the 7,600 sq m site in Main Street and the construction of a four-level underground parking garage.
Mossel Bay may be boon for cement producers

CEMENT producers are hoping the Mossel Bay development will bring them a slice of new business.

Just how big a slice is not clear at this stage, although industry spokesmen indicated they envisaged nothing on the scale of supply that built Koeberg nuclear power station or Sasol II.

Based on this, they did not expect any appreciation in the share price.

Anglo Alpha MD Ronnie Searle said that, while he was sure the development would help the industry, he believed the volumes required would be spread over three or four years.

Searle said Anglo Alpha's stone division was investigating the possibility of opening quarries in the vicinity of the development area for the supply of aggregate.

Pretoria Portland Cement (PPO) is tipped as a strong contender for involvement in the project, having plants strategically placed in Port Elizabeth, the Boland and at Pitsburg.
Cement industry firmly in the red

THE cement industry is moving further into the red, says Blue Circle commercial director Peter Kett.

"There has been no sign this year of any recovery in terms of an increase in orders," he adds.

With no upturn indicated, the industry continues to face massive investment in plant running at only 65% of potential capacity.

"This is not good," says Kett. "This is an industry with a very low variable cost per ton of production. But we have a very high fixed cost and getting a high percentage throughput is critical to profitability. The break-even point for the industry is estimated to be around the 70%-capacity-utilisation level."

Blue Circle, along with Pretoria Portland Cement (PFC) and Anglo-Alpha, all tell Business Day that major emphasis has been placed on trimming these fixed costs. But because much of this takes the form of depreciation and interest on loans, all three feel they have already approached the limit.

Kett indicates that one answer will come as the recession eases.

"When the brakes on capital investment are released, this will do a lot to help us."

The other problem revolves around political instability — something which business management has little control over.

Certain moves are being made with the hope that they will have a beneficial effect on the industry's fortunes in the near future.

The three producers are currently watching developments between road and rail for the better transport mode. Rail's former preference as the cheaper transport is now slipping.

Great moves are also being made by all three companies into the use of pozzolanic materials — used as cement extenders. These have the advantages of improving the product's "workability", increasing the amount of blended cement available and keeping user-costs down.

In the five months since their initial launch as commercial products, these blends have already grabbed a 30% share of the Witwatersrand market.
SA is leader in cement blends

By Frank Jeans
South Africa is a world leader in the cost-effective blending of cement with industrial by-products, and with the Iscor and Escom operations a major source of raw materials.

Mr Graham Grieve, the Portland Cement Institute's (PCI) director of laboratory services, told a recent PCI Construction Writers' Club in Johannesburg "The use of ordinary portland cement, blended with blast furnace slag from Iscor plants or with fly ash from solids trapped in Escom power station chimneys, have several economic benefits for the construction industry.

"As raw material, both substances are relatively cheap to produce and require less energy in the manufacturing process than in the making of portland cement.

Hoechst venture
Hoechst South Africa has entered a joint venture with German-based SKW Trostberg and Johannes- burg-based ENC Chemicals that will lead to the local manufacture of a special concrete additive for use in the construction and mining industries.

The product, called Melment, was developed by SKW Trostberg 20 years ago and is regarded as a major advance in this field. Hoechst and SKW Trostberg have each acquired a 49 percent shareholding in ENC Chemicals, a company specialising in the marketing of construction and mining materials.

Engineering award
The Federation of Societies of Professional Engineers (FSPE) Award for Services to Engineering has been presented to Professor Dirk Wouter de Vos, a past president of FSPE.

Professor De Vos, in receiving the award at a function in Johannesburg recently, said 'There are not enough black engineering and technikon students and this requires urgent attention.'

"I got the uncomfortable feeling, however, that we sometimes forget that we are for a large part, a third world country, and apply technology inappropriately to the problems in hand. I have seen unjustifiably high and expensive standards applied in developing areas."

"Are we not far too keen on first world standards?"

In 1956, following nearly 20 years with the South African Railways, Professor De Vos was appointed as first professor and head of the Department of Civil Engineering at the University of Pretoria.

At a function in Sandton, the Anglo-Alpha Award for the Promotion of Concrete, was won by Dr James Robertson, a past student of the University of Witwatersrand.

Grinaker's quickie
Grinaker came up with the right medicine for one of Johannesburg's long-established pharmacy businesses when it was forced to move in a hurry when the lease expired and not renewed because of redevelopment of the site.

Mr Ed Kok, managing director of Weltevrede Pharmacy in DF Malan Drive Blackheath, says "We were lucky to be able to buy land just down the road but we needed new premises quickly so as to prevent loss in trading."

Grinaker Projects started the three-storey building in November and is on schedule for completion this July — only a 32-week design and building contract.

Twins going well
Group Five Building-Stevenson Construction is progressing with the R113 million Amawele contract at Umlazi for the kwazulu Government.

The contract involves the building of two separate buildings of three and four stories and linked by a basement level.

Site architect, Mr Dave Gilles, of Joubert, Owen, Van Niekerk and Partners, says: "We believe the twin building (Amawele is Zulu for twins) will enhance the infrastructure of this part of Umlazi."
Masonite has hopes for sales

MASONITE (Africa), after a 223% increase in export sales last year, expects export sales to decline in the current year, though higher domestic sales should result in an overall increase in turnover, says chairman Rauhe Rauenheimer.

Rauenheimer believes the second half of the year will see an improvement on the local front as distributors restock.

The annual report shows that export volumes more than doubled, but high delivery costs — ocean freight is paid in dollars — resulted in lower trading margins than on domestic sales.

In theory the strengthening of the rand since the year-end should improve margins on volumes through lower freight costs, but Rauenheimer confirmed that freight rates have not been reduced yet and any advantage from this quarter depended on the shipping companies reacting to the exchange rate.

The group basically exports what it cannot sell locally. Between exports and domestic sales, the group is operating at full capacity, even after an increase in production capacity at the beginning of the past 18-month period.

STEPHEN ROGERS

The diverse market segments for hardboard products, in which the group operates, produced mixed blessing last year.

Most affected by the recession were sales to the motor and construction (doors) industries. However, demand for packaging components increased significantly as did mineral ceiling tiles and insulation board.

Group liquidity has been reduced with the current ratio down to 1.8:1 (2.5:1) and working capital could be under strain through financing higher stock (R7.6m) and receivables (R10m), aggravated by the change of the accounting period which incorporated two traditionally low Christmas seasons.

The group remains debt-free with no interest charges to reduce profitability.

However, in spite of the balance sheet strength, the squeeze in pre-tax margins over the past four years from a healthy 28% to last year's 9% has been the main factor behind last year's earnings falling 8% on the 1981 figure.

The group will have to show a recovery at the operating level before earnings pass 1981 levels.
Timber strike over

Staff Reporter

SEVENTY-FOUR workers at the Airton Timbers factory in Retreat returned to work yesterday after a two-day strike, while 250 workers at two PG Glass factories in Epping downed tools over the threatened re-employment of 26 colleagues.

A spokesperson for the Paper, Wood and Allied Workers’ Union said the 75 returned to work after Airton management refused to negotiate with the union unless workers agreed not to go on strike again.

The workers, in consultation with the union, had already decided to return to work yesterday “in the interests of further negotiations”, the spokesperson said.

The strike was called when management initially offered to raise the minimum hourly wage from R1.43 to R1.54 — later to R1.62 an hour.

The workers are demanding that it be increased to R1.93.

At PG Glass, 250 workers downed tools when negotiations over the re-employment of 26 workers broke down.

A spokesperson for the Chemical Workers’ Industrial Union said workers had agreed to rather accept lower wages by working short-time than see the 26 retrenched.

Negotiations on the re-employments continue on Monday.
BRICK SALES

Off course (93)

The better times forecast for the construction industry (see Leaders) could turn out to be nothing more than a mirage.

Late last year, all the leading indicators were pointing to a revival in the construction sector which was up against it after riding out several of the deepest recessionary years the industry has known. Customers, it was predicted, would finally be back in the market for new buildings.

But brick sales by the country’s leading manufacturer, Toncoro, tell a different story. Sales, which started with a spurt in January, have turned down sharply and are now running at below forecast levels.

Economists are asking why. After all, everything is pointing to an upturn. Interest rates are down, liquidity in the banking sector is high and demand for building services has never been stronger. The short answer is that a vital factor of the equation is missing — the “confidence factor.”

“What is lacking is confidence,” says Toncoro MD Errol Rutherford. “There’s a lot of pessimism around.”

According to Rutherford, bricks sales, having hit target in January, were running at about 80% of forecast in February. “There has been a slight improvement in March, but it’s certainly no lift-off,” he says.

Regionally, brick off-take is highest in the western Transvaal and the Free State, where gold mining investment has buoyed sales. In the rest of the PWV, demand is low. The western Cape is benefiting from additional investment in coloured housing, but in the eastern Cape, Natal and the eastern Transvaal the market is flat.

Rutherford says sales are running at around 60% of capacity and the brick stockpile has stabilised at around 300m. With company brick plants either mothballed or working short time, productive capacity is down to around 58%. In August 1984, it hit a low point of 55%. Notes Rutherford. “We’re trying to balance production against current sales.”

Looking ahead, Rutherford sees no boom for the brick business in the short term. The improved economic climate and mild stimulatory effect of the Budget could help maintain sales at around 11% above last year, with a like increase in volumes in 1987.
Glass merger threatens to split industry

By Jackie Unwin

The R800 million a year South African flat glass industry is in turmoil, with independent merchants threatening to break away from the 40-year-old Flat Glass Association (FGA) and form their own.

The industry is dominated by Glass SA, the holding company of a merger between Plate Glass and Pullington Glass.

FGA chairman Mr Janie Loots and executive director Mr Brian Tanner are making desperate efforts to save the organisation, and have called a special general meeting for April 4.

Mr Tanner said this week that the resignations of two members had been received, and most of the independents were thinking of resigning within the next few weeks.

The situation was brought to a head when the main FGA sponsor said it could not continue contributing financially as much as it had in the past.

"The effect of this is quite dramatic," said Mr Tanner. "Even if all our members remained in the association, we would find ourselves in difficulty and not be able to run the association in the way we have for the past two years."

DIVISIONS

Mr Tanner said the association must be representative of the industry. "We have a situation where we have one large merchant company which merged with the only glass manufacturer in South Africa, Pullington. This is why the anti-feeling has come about."

"The basic problem is that the independents believe they are being dictated to. They feel the big merchant operation has a major say within the manufacturing side. We are now starting to see a division in the ranks."

"I find this very sad. I believe this division bodes ill for the glass industry."

At the April meeting members will be asked to consider three resolutions:

- Ways and means to fund the FGA to run it exactly as it is.
- Keep the association solvent and run it on a very low profile.
- Take the "third and drastic step" and place the association in liquidation.

Mr Tanner said he hoped ways could be found to keep the FGA running. He had high hopes yesterday that this could be achieved.

He said the FGA had acted as a co-ordinating body it dealt with organisations such as the SABS to achieve standards, played a major role in the National Safety Glazing Council, and conducted training programmes.

PRICE ANGER

Mr Loots said it was essential for the FGA continue. "We want to see that our activities. We can't let an R800 million industry go to the dogs."

Mr Jeff Saville, of Africa Glass, a past chairman of the FGA, said he had a number of glass merchants who had resigned from the association.

He agreed that the FGA had done tremendous work for the glass industry. "The big problem is that under the present constitution, if we asked for the import duty on glass to be lifted, we could be outvoted by the Glass SA group."

"Other glass merchants who refused to join the FGA because it was dominated by Glass SA have said they would join an independent association."

Mr Rod Pehrson, managing director of PG Glass, said it would not be appropriate to comment on FGA resolutions, but he was totally against the disbandment of the association. Independent merchants recently complained bitterly about the monopoly situation in the industry — and blamed this for the price rise of more than 46 percent in 13 months.
Brick sales hit hard

WIDESPREAD production cutbacks and consequent retrenchments have hit the brick manufacturing industry. Despite the optimism shown in late 1985 that 1986 would be the "year of recovery", brick sales continue to plummet.

Concor Paving MD Joe Fink said January sales of paving bricks made some people believe that all was right in the industry. "Unfortunately what they did not take account of was that the figures comprised a lot of December's backlog of orders which made the situation seem a lot better."

"What followed in February was an absolute disaster. The bottom just fell out of the market."

"Sales for March have shown a slight improvement, but our company has had to cut back to 50% of its production capacity."

"Two years ago the price for a metre of laid brick paving was R13,50. Today the same costs R11,50 from some contractors. "You can see what is happening. Volumes are not what they used to be and any further price cuts by manufacturers or subcontractors will be suicide."

Brian Moorhead, executive director of the Brick Development Association of South Africa, said the situation was "extremely tough but there seems to be light at the end of the tunnel".

Quoting figures for building plans passed for January 1985 (dwelling houses: 1 655) and January 1986 (dwelling houses: 2 534) he said these were a ray of hope for the clay brick industry.
CEMENT producers are ready to block dumping by foreign manufacturers.

Fighting to contain costs and protect huge capital investments, producers say any offloading of surplus stocks will spell trouble for the industry.

With production already down to 60% of capacity, cement chiefs have made representation to the Board of Trade to stave off any recurrence of events in 1985 when bulk imports were landed at Durban.

Spain and Japan are singled out by local producers, who say they offloaded stocks at Durban at well below the price demanded in their own countries. By doing so, they were able to undercut local suppliers.

"We have had a number of discussions with the BoT and will continue to put our case," says Blue Circle distribution manager David Brockhouse.

The reaction of the board so far has not been too favourable but we hope for better things to come. As far as we can ascertain, the issue is not closed. The door has been left open for further negotiation.

Brockhouse says total manufacturing capacity for the industry is 11.6 million tons a year.

"Duralboom, Pretoria Portland’s new facility with a capacity of 600 000 tons, has been mothballed along with several other older kilns which had a total capacity of 2 million tons. Added to that some plants are under-utilising capacity to the extent of 1.6 million tons a year.

"This has led to redundancies and placed the industry in a parlous state." Berry Pavey, GM of Cement Distributors, says long lead times are needed in production planning, with the average cost of setting up a plant in the region of R300m.

"To give investors even a 15% gross return is proving impossible for us. Current averages are around 6%-8% and already sales for 1986 are down some 18% on 1984 figures."

"This year has been particularly chronic for us. April rail increases have not been passed on to the consumer and we will continue to try to absorb them. We have also deferred any further price hikes for the moment."

On the question of dumping, he says the industry has no tariff protection and, unless some form of protection is introduced, investors could shy away from the industry.

The price of foreign cement last year, says Pavey, was far higher in the countries of origin than when the commodity was landed in Durban (see map).

Officials at the Spanish commercial office in Johannesburg say they are unaware of plans to export Spanish cement to South Africa.

A spokesman said yesterday: "If plans to import cement are afoot, we are not aware of them."
CEMENT INDUSTRY

Paving the way

Rising rail rates are forcing rationalisations in the cement industry — one of which is a move towards increasing use of cement extenders.

It is a field in which SA is rapidly becoming a world leader, particularly in the use of high magnesium content blast furnace slag-cement blends.

The expansive properties of magnesium in blast furnace slag generally causes cracking in cement. But producers have found that if the slag is granulated, the chemical composition of the magnesium changes and it actually improves the properties of the mixture.

One advantage of extenders is that it allows the industry to make use of what is essentially a waste product as a raw material for cement. Another is that it relieves the burden of high rail rates, which, the industry claims, are becoming punitive.

In 1976 the cost of railing a ton of clinker from Lichtenberg to cement processing plants in Durban was R11/t. With the new rail increases coming into effect this month the rate moves to R5.4/t.

The tendency of Sats to rate cement higher than other bulk commodities and to escalate tariffs for long hauls while offering rate reductions on short runs to win back business lost to road transportation has exacerbated the problem.

As a result, Natal Portland Cement (NPC) now sources all its clinker from the new Sumuma plant at Port Shepstone — a distance of only 134 km as opposed to Lichtenberg's 900 km.

The Sumuma clinker plant cost the industry R175m to install. But with rail rates rising exponentially, the industry felt it would be in its long-term interest to exploit local lime deposits rather than rely on rail.

In addition, NPC has been blending cement with slag from Iscor at Newcastle since 1964. Its PCI5, which has properties virtually equivalent to ordinary Portland, is a 15% blend of blast furnace slag and cement.

Its Portland Blast Furnace Cement (PBFC) is a 50% slag blend.

Cement producers recently spent R30m on a slagment plant at Newcastle to supply NPC's needs, blend cement and slag for the northern Natal market and supply slagment directly to bulk users.

In the Transvaal, Pretoria Portland Cement (PPC) has been using pulverised fly ash (PFA), a by-product from Escom power stations, as an extender in its PC15/PFA. Recently Anglo-Alpha followed its lead by introducing 15% slag-cement blend with slag from Iscor at Vanderbijlpark. PPC now also offers a 15% cement-slagment blend in the Transvaal.

NPC GM Mike Doyle says much will depend on Iscor's long-term plans, but he estimates the industry will be able to draw about 400 000 t a year of slagment from Newcastle. Once the plant has reached full capacity it will consider using PFA from Escom's power stations at Volksrust as an alternative extender.

According to Doyle, the use of extenders in the Transvaal market has come at an unfortunate time — cement sales are depressed and there is spare clinker capacity. But he says the development should be beneficial in the long term because it will "obviate the need for further capital investment to develop clinker resources".
Glass SA gets safety glass monopoly with acquisition

The acquisition by Glass SA of Wesglaz — approved by the Competition Board — will give Glass SA a monopoly of the supply of safety glass for the original equipment automotive industry.

Samcor MD Spencer Sterling said yesterday no disadvantage would accrue to the motor industry from the acquisition.

Competition Board chairman Dr Stefa Naudé said the acquisition was seen as a positive step that would preserve employment opportunities and create export potential.

Brian Young, joint CEO of Glass SA, said Wesglaz' additional capacity for windshield production was good news for the export market.

'Glass SA's export of safety glass last year brought in about R58m, he said. 'In a less hostile political climate, the addition of Wesglaz' capacity could increase this by 20%.'

Automotive companies would be able to export safety glass themselves and take advantage of the Phase Five local content export rebate concession, Young said.

He did not think the acquisition would have any effect on the market as Wesglaz would continue to supply the original equipment needs of its three main customers, Toyota, Samcor and Nissan.

Wesglaz was marginally involved in the replacement trade, so the effect there would be minimal, Young told Business Day.

Wesglaz entered the over-supplied market for safety glass for the original equipment automotive industry in January last year — in competition with Glass SA. "It just was not a payung proportion," said Young.
Plate Glass boosts exports

PLATE Glass Shatterprufe Industries, one of the truly multinational companies listed on the Johannesburg Stock Exchange, is accelerating the international development of its glass industries.

"Because of our marketing operations in Australia, Europe and the US, we were able to raise exports steadily in the past decade," said Ronnie Lather, joint executive chairman responsible for glass interests worldwide.

"In 1985, we boosted export revenues from R23m to R40m. By devoting more executive time to international operations, we expect to keep up that export growth, and possibly accelerate it."

The company is establishing an office in London to act as the prime resource for expansion in the glass industry outside Southern Africa.

The deputy chief executive of PGSI's glass interests, Mike Scott, will move to London in July, where he will be backed by executives such as Louis Shashinovsky (legal director) and Dennis Millard (finance director).

The home base for PGSI's glass group continues to be SA.

Worldwide, PGSI's glass interests employed 13 500 people at 30 factories and 420 outlets in March 1985. Sales totalled R860m and operating profit was R77m. — Sapa.
Picking up pieces

Glass SA (GSA) swept up more of the industry's broken pieces last week with the takeover of troubled Wesglas for an undisclosed sum from a consortium headed by Metair Investments.

The Competition Board this week gave its blessing to the venture, giving industry heavyweight GSA complete control of SA's R100m a year safety glass market for locally made passenger and light commercial vehicles.

Wesco sold its 40% stake in Wesglas in an assets reshuffle with Metair Investments two years ago, while Anglo American Industrial Corporation and Messina subsidiary Automakers held the balance of the shares.

GSA has picked up market share from several glass company closures in the last few years, most notably the stock-and-equipment acquisition of Murray & Roberts' loss-making subsidiary Elgan Glass early last year.

GSA itself is the holding company of the merged interests of Plate Glass and Pilkington Glass.

On paper, Wesglas's contracts to supply safety glass to carmakers Toyota, Samcor and Nissan could have given it a roughly 50% share of the original equipment (OE) market worth some R25m.

But it fell a long way short of achieving its potential.

Weglas started safety glass production for the OE market late in 1984 when its Bophuthatswana-based Ga-Rankuwa factory was commissioned at a cost of R32m.

At the time, press reports quoted Wesco chairman Albert Wessels as saying a "satisfactory return" on investment was expected by 1986.

But profit hopes were shattered when new-vehicle sales nosedived last year and plunged the company into huge losses.

At the same time, the FM understands, production snarl-ups at Ga-Rankuwa pushed up costs for Weglas which was already suffering the interest penalties of high gearing.

The irony is that things have come full circle for GSA, which was forced to close its Roslyn laminating plant at the time of Ga-Rankuwa's commissioning.

Looking back, GSA chief executive Brian Young says "Weglas generated additional capacity for a market already fully catered for by existing manufacturers."

Hardglass Safety Glass, for one, may re-enter the motor market after a three-year absence. "There may be an opening," says MD Keis Cleaton.

Exactly how GSA intends to stem the Weglas drain is by no means clear — Young does not expect to retrace any of Weglas's 270 employees and there will be no capacity cutbacks at Ga-Rankuwa or GSA's Port Elizabeth plant at this stage.

Prices in the flat glass trade rose some 15% at the end of January and there is strong speculation that safety-glass prices to the motor industry will shortly be hiked by around 16%.

Knotty problems

Government's decentralisation incentive package is under attack again. This time it is the treated timber industry that is accusing government of gross inequities in the application of incentives.

According to the South African Wood Preservers Association (SAWPA), government decided to extend the incentives to locality-bound industries such as timber millers and timber treaters a few years ago.

A number applied and were granted the incentives before the Decentralisation Board (DB) began to have second thoughts. Apparently, it felt the move could precipitate a rush for incentives from other area-bound industries in the agricultural sector, which could put a strain on resources.

It put a stop to new applications and told those to whom the incentives had already been extended they would be phased out in August 1987.

The problem is that those who missed the
Asbestos twins in search of a clean bill of health

By David Carte

FOR those who like a high-risk, high-return gamble, Gen- cor's asbestos twins, Masull and Gefco could be an option. The first reason one could be interested is that asbestos, like nuclear power, appears to be less dangerous than everyone fears, at least if it is handled properly.

**Turnaround**

There is a world oversupply of asbestos, but if fears were laid to rest and the US Environmental Protection Agency got off the. industry's back, demand would quickly exceed supply and both counters would move decisively. This may take time.

A shorter-term prospect is that because of the health public, large Canadian producers may close, so benefitting Masull, which competes with them in white asbestos. Gefco produces blue fibre.

Thanks largely to a rand that ended the year on R0.57, Masull last year returned from a loss of R551 000 to a profit of R3.5-million, and Gefco's taxed profit leapt from R10.9-million to R18.8-million. Both companies are extremely cautious because of lower dollar prices and a stronger rand since the last accounting period.

Earnings of Masull were R5.5c a share and of Gefco 66.5c. Masull failed to pay a dividend as it has to reduce debt. Gefco paid 22c.

The two have been neglected by disillusioned investors, Masull in particular. At 140c, it is only 1.8 times earnings. Gefco has a P/E of 3.4 and a historical dividend yield of 15.6%.

**Sceptical**

Masull's bombed-out rating suggests value. Only poor old Zimbabwean counter Coronation Syndicate is more lowly rated among mining stocks. Investors have taken their pessimistic cue from a less than sagacious management.

One shareholder is sceptical of all this pessimism and wonders if there may not be a bid for the minority before asbestos gets a clean bill of health. He has asked how Masull could fail to pay a dividend, ostensibly because prospects are so bleak, and yet have the confidence to splash about R3-million on expanding capacity.

The answer is that the capex was necessary to reach a new orebody merely to stay in production. Capex was funded with debt, which must be repaid (to Gencor) before dividends can be forked out.

**Lesser threat**

The Masull balance sheet is hardly a disaster. There is only R3.1-million of long-term debt compared with shareholders' funds of R5.3-million.

Stocks — useful in the event of a strike — have more than quintupled to R2.44-million and debtors have soared from R2.5-million to R4.1-million. Another reason that Masull looks more interesting is that although management insists there is no difference in health risk between white and blue asbestos, popular opinion reckons white is the lesser threat.
A NEW and unusual manufacturing franchise to be offered in SA is a wholly local idea.

Multibrick is looking for franchisees throughout the country and in neighbouring and national states to make its interlocking building brick, which was developed in SA by a SA company.

Franchisees buy the know-how and equipment to convert traditional brickmaking machines to turn out Multibricks.

They pay a royalty on each brick produced and get marketing help, leads and advertising and public relations back-up as part of the franchise package.

The cost to the franchisee depends on the number of machines to be converted, his area of operation and his output.

The brick cuts building costs by up to 25%, the company claims, and can be laid by unskilled workers.

It says savings of up to 35% have been recorded and the brick has been laid at the rate of 1 000 a day.

Multibrick interlocks and is initially drystacked.

No mortar is required. A cement slurry mix is poured down vertical holes which run the full depth of the structure and are created by the perfect alignment of holes in the bricks.

This alignment is easy to achieve because of locking nipples on the bricks and the exact engineering of Multibrick.

The brick was subjected to rigorous tests by the SA Bureau of Standards and has performed at least as well as conventional bricks.

Introduction of the brick has given a tremendous boost to the development of low-cost dwelling units for self-help housing schemes.

Sample homes have been built in several municipal areas.

All building societies approached have bonded houses that were to be built with Multibrick. No municipality has refused permission to erect any Multibrick structure, the company says.

Multibrick, a new company, is based in Johannesburg. For further information, telephone 011 836 6732.
Cement industry under fire for price collusion

By Sven Lusche

The cement industry has been severely criticised for embarking on capital-intensive projects while the building and construction sectors are going through one of their worst slumps.

The industry has also been panned for keeping the price artificially high through price collusion and market-sharing tactics.

Mrs Geelie Roux of brokers Frankel, Kruger says: “The extraordinarily high profit margins in the cement industry have come down a bit over the last year. Nevertheless they are still one of the highest in the South African building industry.”

Another stockbroker argued that the cartel of the three major companies, Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle, will have to be broken if some measure of competition is to be restored and cement prices brought down.

The industry has increased prices in response to under-utilisation of plant. So the public has to pay for massive over-capacity at various new factories at a time when total cement consumption has dropped by over one million tons from 1984 to 1985.

Anglo-Alpha faces problems with its recent R300 million plant expansion at Ulico, which is running only at 70 percent of total capacity. PPC and Blue Circle have similar difficulties.

PPC cut its capital expenditure on the recently commissioned Dwalboon factory from R300 million to R220 million. Nevertheless, as a result of the declining productivity most of the staff either had to be replaced or retrenched. At Blue Circle’s R200 million Lichtenburg factory only two out of six kilns are productive and a large part of the workforce had to be retrenched.

The Competition Board has recently published a notice highlighting practises of price collusion and market sharing as being in conflict with the provisions of the Maintenance and Promotion of Competitions Act, which will be introduced on May 2.

Competition Board chairman Dr Stefan Naude said: “This is applicable to arrangements in the cement industry, yet we have to be careful that we do not destroy the industry by breaking up the cartel, which has run the industry for long time and fairly successfully.”

Dr Naude indicated that some kind of extension will be granted to allow the industry to either adjust to the new regulations or make new representations to the board.

But brokers suggest that even if the regulations are enforced “the industry would keep some kind of gentleman’s agreement going, to maintain their control over prices.”

Industry sources have presented submissions to the board, detailing the need for continuing present structures and organisations.

Says PPC MD Guy Layt: “I am sure there will be no summary withdrawal of the present arrangements, as the Board recognises the problems that will be created.”

Ronnie Searle, deputy MD of Anglo Alpha, believes arrangements between the major companies are still in the best interest of the cement industry and the long run consumer “If we look at other countries, namely the US where free competition exists, we don’t see that they are much better off,” he said.

Spokesmen for all three companies dismissed suggestions that these arrangements should be cut back to justify the capital expenditure projects in the last couple of years.

“We are talking of a full three-year period between the decision to go ahead and the commission of a cement industry, and there is no way in which the present recession could have been predicted in 1981/82,” said Mr Searle.

He also indicated that two years ago building industry sources suggested that South Africa would experience a building boom as never before.

“We were then criticised for not making sufficient provisions for expansion and were faced with cement imports which badly affected the local industry. All three companies also pointed out that their ventures are long-term investments and that they obviously will not be called on to snip off once the economy picks up.”
Bitumen prices fall 25%

**ALAN PEAT**

The price of bitumen has fallen by more than 25% in the past five months, but industry sources say tariffs are still way above 1984 levels.

The SA Bitumen and Tar Association (Sabta) said the bitumen price had been reduced by R40/to 10 to R396. This was the year's second decrease, the previous being a drop of R70/to in February, making a total reduction of 25% since last November.

"But, while this is welcome, we cannot get too excited about it," said a Department of Trade (DoT) spokesman. "It only goes part of the way towards getting the price down from the extremely high level it reached in November last year."

The 1985 increase of that over 1984 was more than 76% from the R386/to of July 1984 to the R416/to of November 1985.

"We will be able to stretch our planned maintenance and rescaling work a bit further," the spokesman said. "But our estimate of the reduction in cost on asphaltic concrete overlay work is only 1%, and of rescaling, using the spray-and-chip method, only 3%.

But Sabta executive director, Piet Myburgh, said premix contractors would especially benefit.

"In fact, they are forecasting a 25% increase in turnover. Both fuel and bitumen price reductions have meant up to 12% savings in the laid cost of premix."

Myburgh promised further price reductions "as soon as the oil price decreases have an effect and as long as the exchange rate keeps improving."

The reduction was welcome, said DoT director of planning Ed Petzer. "We are now entering a phase where rescaling is becoming an urgent need. All methods use bitumen, and it is the major part of the material cost."

Lenders curb fancy pricing

WASHINGTON — The two major federally-linked secondary mortgage market corporations in the US have changed their definition of market value on property appraisals.

The new definition, by Federal National Mortgage Association, becomes effective from July for mortgages they provide.

The guidelines call for appraisers to define market value as the most probable — rather than the highest — price a property will bring.

**NEILL DAVIES**

Executive Director of Altech, Powder Tech and Altron, has become alternate director of Anglo American Industrial Corporation (Amic).

**NEILL DAVIES**

Executive Director of Altech, Powder Tech and Altron, has become alternate director of Anglo American Industrial Corporation (Amic).

**STAN SYMMINGTON**

A senior partner of Arthur Young & Co., is the new president of the SA Institute of Chartered Accountants.

**DAN VAN ZYL**

Has been appointed MD of Mitchell Cotts Engineering.

**PETER JOUBERT**

MD of Afrox, has joined the board of Cadilla Holdings.
Cement companies attacked over giant new projects

From PETER FARLEY, JOHANNESBURG. — The cement industry has been severely criticised for embarking on capital-intensive projects while the building and construction sectors are going through one of their worst slumps.

The industry has also been panned for keeping the price artificially high through price collusion and market-sharing tactics.

Mrs Giselle Roux of brokers Frankel, Kruger says “The extraordinarily high profit margins in the cement industry have come down a bit over the last year. Nevertheless they are still one of the highest in the South African building industry.”

Another stockbroker argued that the cartel of the three major companies, Anglo-Alpha, Pretoria Portland Cement (PPC) and Blue Circle, will have to be broken if some measure of competition is to be restored and cement prices brought down.

The industry has increased prices in response to under-utilisation of plant. So the public has to pay for massive over-capacity at various new factories at a time when total cement consumption has dropped by over one million tons from 1984 to 1985.

Anglo-Alpha faces problems with its recent R500 million plant expansion at Ulco, which is running only at 70 percent of total capacity. PPC and Blue Circle have similar difficulties.

PPC cut its capital expenditure on the recently commissioned Dwalboon factory from R300 million to R220 million. Nevertheless, as a result of the declining productivity, most of the staff had to be replaced or retrenched.

At Blue Circle’s R200 million Lichtenburg factory only two out of six kilns are productive and a large part of the workforce had to be retrenched.

The Competition Board has recently published a notice highlighting practices of price collusion and market sharing as being in conflict with the provisions of the Maintenance and Promotion of Competitions Act, which will be introduced on May 2.

Competition Board chairman Dr F. N. Naudé said “This is applicable to arrangements in the cement industry, yet we have to be careful that we do not destroy the industry by breaking up a cartel which has run the industry for a long time and fairly successfully.”

Dr Naudé indicated that some kind of extention will be granted to allow the industry to either adjust to the new regulations or make new representations to the board.

But brokers suggest that even if the regulations are enforced “the industry would keep some kind of gentleman’s agreement going to maintain their control over prices.”

Industry sources have presented submissions to the board, detailing the need of continuing with the present structure and organisation.

Says PPC MD Guy Layt “I am sure there will be no summary withdrawal of the present arrangements, as the Board recognises the problems that will be created.”

Ronnie Searle, deputy MD of Anglo-Alpha, believes arrangements between the major companies are still in the best interest of the cement industry and in the long run the consumer “If we look at other countries, namely the US, where free competition exists, we don’t see that they are much better off,” he said.

Spokesmen for all three companies dismissed suggestions that their extensive capital expenditure projects in the last couple of years were unjustified.

“We are talking of a full three-year period before the decision to go ahead and the commission of a cement industry, and there is no way in which the present recession could have been predicted in 1981/82,” said Mr Searle.

He also indicated that two years ago building industry sources suggested that South Africa would experience a building boom as never before.

“We were then criticised for not making sufficient provisions for expansions and were faced with cement imports which badly affected the local industry.”

All three companies also point out that their ventures are long-term investments and that they obviously will pay off once the economy picks up.
Cartel exemptions while talks go on

Cement and timber set-ups being probed

FURTHER discussions and investigations into organisation of the cement and timber industries will have to take place before the Competition Board can decide on what changes — if any — are necessary.

The cement industry has been given a two-year exemption from the anti-cartel legislation promulgated last week so ways and means of increasing competition in the industry can be discussed with the board.

A decision on whether or not the Timber Marketing Agreement (TMA) should be exempt will depend on the outcome of the board’s investigations into concentration in the sawmilling industry.

Cement Producers’ Association (CPA) chairman Peter Kett, said he did not believe the temporary exemption meant present pricing and distribution arrangements in the industry had to be phased out.

The CPA represents the four major manufacturers — Anglo Alpha, Blue Circle, Pretoria Portland Cement and Natal Portland Cement — and decides on minimum prices.

Andries Swart, executive director of the SA Lumber Millers’ Association (Salma), said the board would finalise the application for the exemption of the TMA from the anti-cartel legislation once it had completed its investigation into concentration in the sawmilling industry.

The advertising industry has been granted an exemption until September from the Competition Board’s ban on horizontal price-fixing.

The board has asked the industry’s Joint Accreditation Committee for more information concerning its application for exemption.
Against the wall

David Bath becomes MD of Blue Circle Cement after a terrifying 1985 group profits fell 77%. Of course, as Bath points out, this drastic drop is not peculiar to Blue Circle alone. It is part of the general convulsion of cement makers following the construction industry's nadir.

A man stepping into the top slot, in such circumstances, could be expected to exhibit at least a touch of gloom. But Bath (43) accentuates the positive. "In a way it's exciting - SA managers learned their jobs in a growth phase, and a really severe downturn demands different techniques and a steady hand."

Such skills will be tested. Bath believes that the cement industry can look forward to at least three more years of shrinkage. Blue Circle Cement's volumes will be down about 10% on last year, he projects, which already showed a drop of 20%.

"The name of the game is reducing break-even," he says. The first step in that process required the retrenchment of 15% of the staff.

"And we've been rationalising production throughout our business. Cement production now comes from one kiln at Lichtenburg, while another five stand idle. We took a long look at quarrying activities, and closed a number of downstream ready-mixed concrete plants. Of 11 Cape Town plants, seven are active, in Durban, where the market contracted rather later, we've closed down three," he enumerates.

Blue Circle Cement is the baby of the industry. Bath admits, with market share of about 23%. Competitors Pretoria Portland Cement and Anglo-Alpha have more muscle. Could there be a merger?

"Whatever the pressure in the coming three years, I suspect it won't be enough to force a merger. The worst patch was during the second half of last year, and we've lowered break-even points and returned to a medium of profitability. The battle lines are fairly clear," he responds.

What of black housing, which the construction industry sees as a future source of demand? "People tend to clench their fists, however small. We are seeing growth there, but it's from a low base and a small segment of the total market."

The more massive, traditional building and industrial projects which use high proportions of cement will remain at a premium, Bath adds.

"One bright spot, though, is that the war against importers is a thing of the past. They packed up and went home. The threat's something to do with it, but producers put up a harder fight as well," Bath reflects.

Bath's career in construction supply began with training at the Portland Cement Institute, where he became a lab technician. He moved on to Darling & Hodgson's Ready Mixed Concrete (RMC), and gained the City & Guilds diploma in advanced concrete technology.

Then he was transferred to RMC Natal as a technical manager. "And from there I found my way into management, becoming Natal GM of D & H Construction Materials in 1977. I started various quarrying operations, and built an integrated unit."

In 1979, Bath spent a year at London Business School, gaining a Sloan fellowship. He then briefly managed a waste disposal business in London for D & H. In 1981, he was back in SA. As MD of its Materials Division.

Two years ago, Blue Circle took the division over. Bath stayed in that job until his move to Blue Circle Cement. Blue Circle's largest and most important component. In spite of the uphill climb Blue Circle faces, "it's not accurate to say I'm on a rescue mission," says Bath. He adds, "Nor am I a crisis manager. The group is fundamentally healthy and ready to weather a downturn."

Assessing risk

"When I started out," says Bob Greenwood. new MD of the local offshoot of Cigna, a giant US composite insurer. "Insurance was a profession and an underwriter a respected part of it. Then there came a time when people started talking about 'the insurance game' - the product took over and the underwriter and underwriting assumed a secondary role as companies raced to acquire market share."

The result of that approach has been a series of years in which the market has paid out more in claims than it received in premium income. Companies survived on investment income and, when they fell short, reinsurers applied pressure in the marketplace. "Direct insurers had to take stock of their position."

Like everyone else, Greenwood is talking about a return to fundamentals - a "de-emphasis on production and re-emphasis on..."
CEMENT CARTEL

Plastering the cracks

Government's apparent determination to crack the cement cartel has come at a bad time for the hard-hit industry.

The three major producers behind Cement Distributors of SA (CDSA) had hoped to be excluded entirely from the Trade and Industry Minister Dawie de Villiers' crackdown on collusive practices.

Instead they have been granted a two-year breather, but this is cold comfort to an industry badly hurt by a sharp drop in sales and the cost of massive capital development for a building boom that never materialised.

De Villers has told the industry that it must work with the Competition Board (CB) to "purposefully strive to increase the degree of competition in the industry."

Trade heavyweights — Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alumina — fear that opening the industry up to competition will erode industry profits even further and hike cement prices.

They admit prices have been fixed since at least 1954 and a market-sharing agreement has been in existence since the formation of the CDSA.

But they contend that this has given the industry confidence to expand its infrastructure and that this, in fact, benefits the consumer.

The industry's submission to the CB attempted to show that cement prices would soar if the producers could no longer share marketing and distribution facilities.

The FM understands the CB gave the producers' "unofficial notification" that it would need more time to sound out ways of opening the industry to competition a few weeks before government's clampdown on business collusion.

New regulations outlawing a range of collusive practices were gazetted on May 2 under the Maintenance and Promotion of Competition Act.

On the same day the Cement Producers' Association (CPA) received a letter from De Villiers allowing the industry to "continue operating in its present form for the next two years."

But, as Blue Circle marketing director Peter Kett, says "We have not been told to break the cartel, but to loosen up on our pricing and market-sharing arrangements instead."

While four exemptions to the anti-cartel legislation have been made — the Spar retail chain, advocates and two retail pharmacy operations — cement producers are still dismayed that they were not included on the exemption list.

But, Kett adds, the "doomsday scenario" of the cartel being outlawed was "never seriously on the cards."

The CDSA is pencilling in a 5% drop in this year's cement sales to 5,4 Mt from 1985's 5,7 Mt, on a turnover of R460m.

Already first quarter sales have fallen by 5,43% against the same period in 1985. The fall occurred in spite of undisclosed exports of clinker shipped from Maputo last month for the first time in several years and the recovery of some 75 000 t a month in sales lost during last year's price war with importers cement enterprises. The imports stopped in August because of the poor rand/dollar exchange rate.

Adding to the pain of the recession is the industry's penalty for ploughing some R840m into new production facilities in the last five years in expectation of a construction boom.

Witness PPC's mothballing of its new R300m Dwaalboom plant in the northern Transvaal last August.

Exactly how the CB intends to prise open one of SA's toughest cartels is by no means clear. But the CPA will fight any change to its present distribution arrangements whereby buyers have to source from the nearest producer to keep transport overheads — 40% of the consumer price — at a minimum.

"Profit margins are tighter than ever," says PPC financial director Chris Wrogemann "It would to be nonsensical to have producers undercutting each other as a result of dismantling the pool system."

Latest industry figures show cement sales falling by 21% over the last 18 months, largely as a result of the sharp downturn in building activity.

The long-term effect of competing on prices, suggests CDSA GM Barry Pavey, "could trigger higher cement prices because producers require higher returns on their investment in an uncertain climate."

Blue Circle's Kett ... no break yet

MOTOR SPARES

Sum of the parts

Behind last week's Did You Hear about a popular car selling in SA for around R250 000 — which would cost R270 000 if assembled entirely from spare parts — lies a serious problem. The concern among buyers is that car-makers are trying to make up for plummeting car sales with huge hikes in the price of spares.

Avis Rent-A-Car, for example, found after analysing its 1985 new vehicle fleet that the cost of parts had surged nearly 70%, while cross-the-board prices had increased by only 37%. BMW and Volkswagen franchise parts were below average, with increases over a year of 58% and 61%.

"The excess we paid on accident damage last year forced our insurance payments up by 40% this year," says Avis GM Tony Langley.

Avis is fighting back and has warned manufacturers that unless prices of certain body parts stop rising at the present clip, "future orders are likely to go to more competitively-priced car makers."

The results of a recent Automobile Association (AA) check has added to the brouhaha.

The study showed up erratic pricing policies and mark-ups of nearly 800% on the landed cost of many common spares at the retail level.

In a separate survey completed last week, the AA compared prices for a basket of mechanical and body-part spares for the Ford Escort, Mazda 323, VW Citi Golf and Toyota Corolla Conquest — all cars in a similar price range.

Expressing the results as a percentage of the car's purchase price, the AA found a 27.5% price gulf in the parts costs of the Corolla Conquest, which came in cheapest at 43.6%, and the Ford Escort at 55.6%.

In effect, says AA GM (Technical Services) Fred Bothma, "the buyer gets..."
Two fresh blows rock Eastern Cape economy

The Argus Bureau

TWO fresh blows have rocked the hard-pressed Eastern Cape economy — Corobrik is closing its Port Elizabeth operation and Steelmobile in Uitenhage is shutting down.

Corobrik's closure is expected within days and Steelmobile's at the end of the month. About 200 people are expected to lose their jobs.

The closure of Corobrik would probably be a mothballing exercise, according to a spokesman.

Its shutdown represents one of the most dramatic reversals in the Eastern Cape's recent catalogue of misfortunes.

WAITING LIST

Four years ago, Corobrik had a three-month waiting list on deliveries. Last year Corobrik nationally reduced production by 40 percent and cut salaried staff by 15 percent.

A recent report issued by the University of Port Elizabeth showed private home building in the Eastern Cape had experienced one of the most serious declines in the country.

According to an industry source, between 15 and 20 whites and between 40 and 50 blacks are employed there.

At Steelmobile, 147 people will lose their jobs. About 12 of these are salaried employees while the rest are hourly-paid.

OTHER JOBS

The plant, site and the machinery are being sold, the plant manager of Steelmobile, Mr Richard Roper, said today.

He said the workers had been told in January that the plant would close at the end of May to give them time to look for other jobs. They had been given severance pay.

Most of the hourly-paid operators and labourers had been unable to find alternative work in the area.
W Cape bricks hit the Far East export trail

By TOM HOOD
Property Editor

BRICKS made at Stellenbosch are being exported to Hong Kong.

The first order, won against strong competition from Australia, has been successfully delivered by Corobrick Western Cape, the region’s largest brickmaker.

“Although in South African terms the order is relatively small, it represents an important breakthrough, especially considering the current depressed local market conditions,” says Mr Mike Ingram, sales manager.

The first consignment of 20,000 special paving bricks has just reached Hong Kong and is reported to have arrived in excellent condition, he said today.

The balance of the shipment, 110,000 bricks, will be completed shortly.

The company was asked by a Hong Kong agent to submit samples of Tokai red paving bricks.

“They liked the quality and the price and we got the order.”

While it was not Corobrick’s intention to mount a major export promotion, the revenue from overseas sales was appreciated in the current depressed times, he added.

The order might seem small compared with South Africa’s brick production of 5 billion a year. But having made a breakthrough and satisfying a customer is the best guarantee for getting future orders.

“Our first responsibility is to the local construction industry – we can guarantee product to cater for the demand.”
Industry reels under losses

Gloomy 1986 for cement

WITH domestic demand falling 14%, cement producers had a grim 1985 with little relief in sight this year.

National capacity during the year averaged 64% after a sharp decline in the activities of the building and construction industries.

The decline began in the last quarter of 1984 and continued at a substantial rate throughout 1985.

According to the annual review of the SA Cement Producers' Association, the industry sees little hope of recovery for the remainder of this year, saying that the economy has not yet bottomed out of its slump.

"The construction industry traditionally lags in excess of 12 months behind the general economy and we do not see any prospect of increased sales for 1986."

As a result of low sales three dry kilns and seven wet kilns, which account for 21% of available capacity, have been mothballed.

This includes the new plant at Drwalboom, Transvaal, which was commissioned in June 1985. The plant is expected to come back on stream only in the latter half of 1987.

The review said imported cement also caused the industry further loss. "During the year to August 1985, some 260,000 tons of cement were imported into Natal, mostly from Japan. This was resisted by local producers and a price war ensued which culminated in the withdrawal of the importers. Although this threat was eliminated, the industry suffered a considerable loss."

The review says that a substantial oversupply of cement existed worldwide and the low prices at which cement imported from Japan was sold clearly evidenced dumping.
Two E Cape firms to close

TWO companies in the Eastern Cape announced yesterday that they were closing this month due to government's decision to appoint another committee to investigate serious problems in the region.

Corobrik and Steelmobile are to shut their Eastern Cape plants this month.

In a statement released in Parliament, Constitutional Development and Planning Minister Chris Hennis said it had been decided that a special task team was to be appointed under the leadership of his department to give urgent attention to a variety of chronic problems areas in the Eastern Cape.

To be known as the Eastern Cape Strategic Development Team, it will be chaired by Frans Scheepers, chief executive director of the Department of Constitutional Development and Planning.

On Friday Corobrik in Port Elizabeth is to mothball its plant because of the decline in demand for bricks, causing more than 100 workers to be laid off.

Four years ago the same company had a three-month waiting list on deliveries.

Steelmobile, built in 1982 to supply Ford, will close at the end of the month.

A total of 147 workers are to lose their jobs.
By Frank Jaans

The chronic downturn in the construction industry is underlined by the activities of one of the largest public sectors in the field — SA Transport Services.

In the 1984-85 period, Sats construction projects totalled about R526 million in value, while the current allocation has slumped to R226 million and this work volume is expected to level off further over the next two years to about R250 million.

Commenting on the construction recession at a lunch of the Portland Cement Institute's Construction Writers' Club, Mr Mike Myburg, chief civil engineer of Sats, said: "Construction has one of the poorest productivity records because the economy varies so tremendously. Workers in the industry are virtually forced to be unproductive because of the uncertainty of work loads."

In such a tight environment, the rail construction teams are constantly involved in cost-pruning exercises, particularly in track costs and maintenance.

Mr Myburg said: "Our goal in the maintenance area, which at present takes up about 14 percent of all rail expenditure, is a reduction to 10 percent — and in 1986 money terms this represents a saving of R253 million."

While there were big cost-savings, there appeared to be no loss of quality control in maintenance, for since 1978 when there were about 100 derailments, the figure had dropped to a current 32.

Sats builders were also making innovations in a highly contentious area of the industry — residential property repair, where the CSIR estimated that about R1 billion would be spent to stop cracking and subsidence in homes.

"Housing is a substantial asset of Sats and we are repairing many of these properties with new methods," says Mr Myburg.

Looking ahead, he said he believed that the challenge in Sats construction — and probably generally for the industry — lay not in the magnitude of the projects but in innovation aimed at reducing costs.
Cementation earnings climb 29%

PRISCILLA WHYTE

CEMENTATION'S acquisition last year of a 50% share in Gold Fields Cementation (GFC) has done wonders for the bottom line.

Earnings climbed 29% to R1.5m for the six months to March and chairman Ron Shaw said yesterday this was largely because of the fine performance of GFC, which provides mining services in the form of underground water control, exploratory drilling, shaft sinking and raise boring.

Shaw said earnings for the second-half should increase at the same rate as in the first-half. The final dividend should better last year's 17c. The interim dividend has been maintained at 8c.

Shaw is optimistic about future shaft sinking prospects. He believes 30 new shafts could be sunk on various mines in the next four or five years.

But the outlook for civil engineering is not promising. Development has been curtailed in the Transvaal and the Cape and structural engineering and railway contracts are generally few and far between.

Hopes are better for Durban, however, traditionally a lucrative market.

To March, Cementation's capital commitments amounted to R5.7m (R220 000). Most of this relates to "a specialised engineering plant which should contribute to profits in 1967".

The group's uncovered foreign exchange loan of $6m at the September year-end has since been covered forward to December 1968 at a rate of $0.50c.

Cementation has the option either to repay the $6m loan in December or to roll it forward for another year.

Another offshore loan of R4m is fully covered and has to be repaid by November 1968.

Shaw is not happy with profit margins of 6% on turnover of R115m earned on a pre-interest, pre-tax profit of R8.9m (R2.8m) and management would like to improve gearing from the present 196%.

The tax bill rocketed 4.5 times to R4.0m (R177,000).

Last year a tax loss in one of the civil engineering divisions was utilised.

Yesterday the share fell 5c to close at 425c and on this price it yields 5.9% on maintained dividends, compared to a sector average of 3.5%. With Shaw hunting at an increased final dividend, the share has upside potential.
International ties put a shine on PG

From PETER FARLEY

JOHANNESBURG — The Pinto Glass group leaned heavily on its international subsidiaries in the year to end-March, to produce full year figures fractionally up on the previous year.

With both its SA wood and glass operations hit badly by slumps in the building, motor and furniture industries, the group’s decision to diversify internationally paid handsome dividends.

Nevertheless, margins remain better in South Africa and the increased contribution from the off-shore interests meant that operating returns slipped to 6 percent from 7 percent.

Though almost 60 percent of turnover was generated by the overseas operations, only 34 percent of pre-interest profit was made outside SA. This was substantially up on the 20 percent from that source in the previous financial year.

Group turnover is now nudging the R2 billion mark, with a 43 percent leap in sales to third parties slightly tempered by less growth in inter-group and indent business.

The dividend has been maintained at a total 105c for the year, costing a total of R17 million.
Overseas subsidiaries charge to PG's aid

By Peter Farley
Investment Editor

The Plate Glass group leant heavily on its international subsidiaries in the year to end-March, to produce full year figures fractionally up on the previous year.

With both its SA wood and glass operations hit badly by slumps in the building, motor and furniture industries, the group's decision to diversify internationally paid handsome dividends.

Nevertheless, margins remain better in SA and the increased contribution from the offshore interests meant that operating returns slipped to six percent from seven percent.

Although almost sixty percent of turnover was generated by the overseas operations, only 34 percent of pre-interest profit was made outside SA.

This was substantially up on the 20 percent from that source in the previous financial year.

Group turnover is now nudging the R2 billion mark, with a 44 percent leap in sales to third parties slightly tempered by less growth in inter-group and indent business.

Joint chairman Mr Bertue Lubner and Mr Ronne Lubner said yesterday that apart from a disappointment in the US and a slower contribution to profits from the recent DIY acquisition in the UK, all the offshore operations improved.

The US profits were affected by the group's entry into the flat glass market — until now it has been wholesaling replacement windshields — a venture which it is now reconsidering.

The profitability of the SA operations was substantially bolstered by the sharp increase in exports.

The group's balance sheet also remains healthy, with gearing below 30 percent and interest cover a formidable 4.3 times.

The weak rand was a major factor behind the stronger second half performance, after a more conservative evaluation at the halfway stage.

Mr Lubner said that almost R14 million of the R116 million operating profit was directly attributable to exchange rate fluctuations.

In addition, a revaluation of offshore assets at the year-end exchange rate added more than R17 million to reserves.

The dividend has been maintained at a total 105c for the year, costing a total of R17 million.

These payments are all made out of cash earned in SA, with virtually all offshore earnings ploughed back into the business.

Nevertheless, Mr Lubner says that should SA profits falter to such an extent that dividend growth could be hampered, sufficient money will be re-mitted from overseas to pay SA shareholders.

An important development during the year was the extension of the group's operations into the manufacturing field. Both main developments came in SA, with the acquisition of Wesglass and the merger with Mondi and Afco's BISON board operation.

This vertical integration does not necessarily increase sales or market share, but will have a tremendous impact on profitability through stronger buying and reduced overheads.

The shares remain an important investment for those seeking a rand hedge and PG is still — Rembrandt aside — the country's fastest growing multinational.
PG dividend maintained

PLATE Glass & Shatterprufe Industries (PGSI) enjoyed a much improved second-half — thanks to a sharply higher profit contribution from overseas operations — with earnings little changed at 282.8c (280.7c) in the year to March.

Dividends for the year are unchanged at 106c a share.

Results exceeded directors’ interim expectations but were generally in line with analysts’ expectations.

Group turnover advanced 29% to R1,88bn from R1,468m with the sales mix shifting markedly away from SA sources.

On the domestic front, sales volumes were down as the group, through timber and glass, serves the hard-hit construction, motor and furniture industries.

However, non-SA sales increased market penetration and turnover from this source rose to 58% from 49% of total turnover, while SA’s contribution fell to 42% from 46%.

PGSI’s SA exports doubled to R86m and joint chairman Bertie Lubner says that the export order book, on the glass manufacturing side, is presently good and margins are improving.
Shaft sinking sector has R600-million worth of work available over next five years

Cementation well placed to reap benefits

By Frank Jers

One way or the other the indus-
trial company that has well es-
tablished mining connections is comproni-
sably better off than many others in the present eco-
nomic slump.

With mining millions in cur-
eation thanks to the low rand-
dollar exchange rate the earn-
ing of a small but stable income has been welcome compensation for many others facing the crunch of recession.

And of the results of a survey
by the Cementation group are
on the mark and given the mo-
table economic and political
conditions the prospects look
a lot brighter than they have been during the past few years.

During that time according
to Cementation's assessment, at
least 40 new mining shafts will be
built at an estimated cost of
about R15 million a shaft, thus
Cementation's future looks
Bought Out.

Gold Fields Cementation was
formed in 1969 with Gold Fields
holding 50 percent and Cementa-
Cementation operates under
a partnership agreement.

Last year Cementation Afri-
can (Pty) bought out the Cem-
Cementation (Africa) in the balance.

Mr Ron Shaw

Chairman of Cementation

the prospects are bright for the mining shaft sinkers

track laying and hoisting and
today the company has a pro-
eted turnover for this year of
R30 million and a current order book valued at
R12 million.

In civil engineering turn-
sion the company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million.

In civil engineering turn-
sion the company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million.

In civil engineering turn-
sion the company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-
eted turnover for this year of
R50 million and a current order book valued at
R4 million. The company has a pro-

© DCS Publishers 1985

A company that employs a
large workforce must prepare
himself immediately in case
with more difficulties in the in-
dustrial relations field he says.

This is certainly not an area
for the bemused amateur. He
for the unions have become
more professional. The negoti-

Cementation's operations at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.

Cementation bought out the Ce-
mountain operation at US, of
in 1970 and paid a dividend of
merger Transag is a good buy.
A MAJOR brick manufacturer, Corobrik, has 300-million bricks stockpiled.

Cedric Savage, executive chairman of the industries and building materials division of the Tongaat-Hulett Group, said that although Corobrik was selling 4-million bricks a day, its factories were running at only 57% capacity.

He said that was in line with industry figures.

"We have closed 16 of our 51 factories and have had to lay off 4 500 workers out of 14 000,"

He said it was paradoxical that, while SA had massive building material stockpiles, there was a severe housing shortage.

Corobrik had(588,196),(744,260)(726,260),(806,319) been scaling down production during the past two years and Savage hoped the bottom of the market had been reached.

He said, "Sales appear to be levelling off and, for the first time in two years, we had two months of even sales."

Savage said the signs of a upswing were present — the building industry was waiting to see how government's recently announced R750m package would be spent, interest rates had dropped and building societies and banks had money to lend. However, interest rates would have to drop further from 16%.

Savage said, "In the last mini-boom in 1983 mortgage bond rates were at 14%."

Continuing unrest in black townships had impeded development in those areas. Savage said legislation, such as the Group Areas Act, had also impeded development there.

But there was an enormous demand for housing in black areas, and most of the R750m had been earmarked for low-cost housing.
PLATE Glass & Shatterproof Industries (PGSI) is to invest R7m in a new manufacturing facility at Springs in the Transvaal.

Joint executive chairman Ronnie Lubaer said yesterday PGSI's decision came in the wake of a significant increase in mirror exports which are running at about R8m a year.

"When fully operational, the new plant will not only enable us to supply the needs of the domestic market, but will also offer the potential to raise exports to R7,5m a year."

The investment will be made by Glass SA, through which PGSI holds all its glass interests in SA. Glass SA joint MD Rod Fehren said work on the plant was expected to begin within a few weeks.

The Springs production line will replace the mirror-manufacturing facility at Germiston, Transvaal, which will be converted to a central storage depot.
Expansion takes Plate Glass toll

PLATE Glass & Shatterprufe Industries has more than tripled assets and quadrupled turnover in the past five years, but expansion has not come without its price.

The report for the year to March 1988 shows that lower returns on shareholders' funds, higher interest-bearing debt and now a legal suit have accompanied growth.

Taxed return on shareholders' funds declined from 15% in the year to March 1986 to 12.7% as net interest rose 49% because of the increase in interest-bearing debt required to finance acquisitions and the enlarged asset base.

Export outlet

Borrowings went from R101-million to R184-million, resulting in an increase of the ratio of net debt to equity from 34% to 46%. Debt cover dropped from 1.3 to 1.1.

PG's purchase of the Do-It-Yourself (DIY) activities of British group Pobel International for R15.5-million in July last year is now the subject of a legal suit as the business is alleged not to be as represented.

At the time of purchase it was said that the business would not only contribute earnings from existing operations, but would offer an outlet for the PG exports. PG was looking to significant benefits in the medium and long term from this interest.

DIY incurred losses after July 1985, but PG management believes there is a strong chance that they will be recovered.

The DIY results contributed to the decline in the return on net assets employed experienced by the PG Wood Industries group in the past year. The fall was also caused by a higher than desirable level of debtors, mainly in SA, low demand and highly competitive conditions.

PG earnings of R228.65 a share in the year to March 1988 are well off the 1982 peak of 231.4c, but the group is budgeting for an improvement in the current year.

It appears that the improvement will exceed the 1% achieved in the past year.

Depressed

Although international operations yield lower returns than from SA, PG's Lahnert brothers are looking to the offshore business to protect the group from a depressed SA economy.

In 1985, international operations contributed 51% of sales, or R748-million, and 32% of earnings — R215-million. In the year to March 1986, offshore business contributed 58% of sales — R1.1-billion — and 49% of earnings — R137.7-million.

Reviewing prospects for PG Wood Industries, management says "The year ahead should see group results at least equal to those produced this year, our international activities providing the security for this expectation."

Certain offshore operations of Solglas are also expected to improve their contribution.

Operating income of UK operations was below expectations in the past year, but the group is confident of better results in the current year.

US operations did not come up to expectations because of squeezed margins and start-up costs in a new market. But prospects are fine for vehicle use in the US and the focus will be on core business PG thus foresees improved profitability from US operations in the current year.

Australia

Although the O'Brien glass operation in Australia made acquisitions in the past year and strengthened its market position, the business faces a weakening economy which could depress returns in the current year.

Both Solglas and PG Wood expect tough conditions in SA.

Management says of Solglas "The tardiness of the South African economy's response to the mild stimulation provided by the authorities is worrying, but we are nevertheless budgeting positively in the expectation of higher levels of demand in the second half of the year. On this assumption, some increase in profits can be expected."
Politics put pressure on PG’s prospects

Accordingly, every alternative being examined to establish viable independent offshore financial structures by the attraction of foreign capital into these businesses.

As in the past, capital is fundamentally a non-exportable commodity but, in any event, at current rates of exchange and interest, this method of financing would yield negative returns and give rise to currency exposure.

Above all, we must ensure that the perception from outside does not become the reality and that our commitment is manifestly genuine and not merely concomitant.

We note the many encouraging aspects emerging from the regional and industry standpoints, but say it would be naive to ignore the downside potential that exists this year.

However, the decision has been taken to act and budget positively in the belief that progress on the political and economic fronts will be made.
Swing from glass is imminent

PLASTIC packaging manufacturer Complast has its fortune totally linked to the possibility of a swing from glass to plastic packaging.

MD Howard Greenspan feels South African companies will wait for the green light from overseas colleagues.

"Plastic offers more standard lines ex-stock than glass can — a great plus in today's market," he points out. "In packaging soft drinks, new generation plastics will overcome barrier problems, such as leaking carbonation.

"The swing to plastic has been most noticeable in pharmaceutical packaging. Plastic offers lower transport costs, it is lighter than glass and provides filling flexibility — a broken glass bottle can hold up a production line for hours. Plastic is a friendly product, it's easy to handle.

"We have taken some work from our competitors, but most growth has come from inroads into the glass bottle market.

Greenspan also sees changes in labelling. He believes the trend will be to gravure printed labels on plastic, shrunk on. Complast is looking at mould labelling, where the bottle is blown up against the preprinted label.

Competition in the retail market place is forcing manufacturers to look for better consumer appeal — and spend more on packaging, Greenspan notes.

"The trend was to cheap packaging, particularly where the product was considered to appeal only to the black market.

"Now, in all markets, lots of packs cost more than the product, a trend which will continue as the swing to more sophisticated packaging continues.

"Manufacturers are now looking for more market share, to maintain their share of the shrinking market. Cheap packaging, in price or image, is on the way out. Manufacturers will pay more to upgrade their products."
By Frank Jeans

The construction slump continues to have a serious effect on the cement and brick industries, with demand dropping to new lows because of the scarcity of building work and major civil engineering projects.

The cement producers certainly have a justifiable grievance about present conditions after having injected more than R1 billion in the past four years into new plant. This expansion has pushed the industry's total annual capacity up from the 8 million tons in 1980 to a potential 11.2 million tons this year.

The effect of the recession, however, is seen by the fact that total sales volume in 1981 was 8.1 million tons -- 100 percent capacity -- while last year the figure had dropped to 7.2 million tons (64 percent capacity).

Mr David Both, managing director of Blue Circle's cement division, says "Depending on starts and stops, I do not expect any new investment for at least 10 to 15 years." While the step-up in low-cost housing and the Government's R760 million injection into this area might be a stimulant for building material suppliers, the cement output in relation to those millions is virtually a "drop in the bucket." Obviously, in addition to the housing programmes, the industry needs to be assisted by a resurgence of the 'heavy contracts' such as power station work and the possible water scheme project in Lesotho," says Mr Both.

There is little joy, too, for the brick manufacturers, although a sustained housing effort can only cut down on the industry's mounting stockpile.

Mr Brian Waberski, Transvaal managing director of the country's biggest brick producer, Corobrik, which has a present surplus of about 300 million bricks, says "Times are indeed tough, with current levels of demand at the lowest since 1978."

An indication of the troubles facing builders is seen in the latest figures from the planning department of the Johannesburg Council. The value of new work begun in the area last month -- the key barometer for the builders -- amounted to only R2.5 million, an 85 percent plunge from the R60 million in June last year.
AFTER Everite's earnings fell by almost two-thirds at the interim, stockbrokers Simpson, Frater, Steen & Strong expect the company's earnings for the year to June to show a similar decline.

In a report on the Swiss-controlled asbestos, concrete, ceramics and pitch-fibre manufacturer, the analysts say they expect earnings of 30c (90.5c) a share for the 1986 financial year and a total dividend of 20c a share (60c).

Turnover is expected to remain static at R230m which, with inflation over the last year in the region of 17%, indicates a substantial volume reduction.

Operating profits are forecast to slump to R15.5m from R33.5m as market resistance to price rises increases, and this will have the effect of reducing trading margins by more than half to 6.7% from 14.6%

However, the analysts anticipate a recovery in earnings in later years with earnings a share rising 33% in the 1987 financial year and 88% in the following year on a compound basis.

Although in percentage terms this recovery looks dramatic, earnings in the 1988 financial year at 75c a share will still be 17% lower than the 1986 figure.

Dividends are expected to grow at a slower rate as the analysts assume that Everite will revert back to its stated dividend cover of two times in the long term. A 25% rise to 25c a share is forecast for 1987 and a 60% increase to 46c in the following year.

On a divisional basis profitability in the piping division is expected to decline as the market comes under threat from rival products.

Intense competition and thin margins will result in a small loss in the plastics division in 1986 and, after losing an important government tender, the concrete division is expected to remain in the red.

Although group debt has increased, Everite's balance sheet remains basically sound with gearing still under 10%.

The report considers Everite a sound long-term investment with compound growth in earnings exceeding the building and construction sector average over a five-year period to June 1985.

STEFAN ROGERS

RAP-UP
Cement price increase should help Blue Circle

Financial Staff

The continuation of depressed conditions in the construction industry is reflected in the interim results of Blue Circle for the six months to end-June.

Attributable earnings declined to R3.4 million from R4.9 million in the seven months to end-June 1985. Interim dividend is passed after 11.6 cent last time. Turnover was R1.466 million versus R1.516 million.

Capacity utilisation within the cement division was a low 52 percent, while cement sales were 7.5 percent down with a similar trend in the materials division. Activity in the engineering division, however, remained at a satisfactory level. The group's trading surplus declined by 6.6 percent to R26.1 million.

The contribution from associated companies, which also supply the construction and building industry, was 16 percent below the 1985 figure at R2.3 million. While net income for the half year was down 29 percent, this result was a marked improvement on the final six months of 1985.

Although no optimism exists for an upturn in sales volumes for the second half of the year, the group expects an improved result for this period. This expectation is based on a combination of a cement price increase from August 1986, a continuation of prevailing lower interest rates and improved operating efficiencies.

Group borrowings are forecast to fall during the remainder of the year as a result of positive operating cash flows. While no interim dividend has been declared, the board has indicated that it will give consideration to the payment of a final dividend based on the full year's result.
Plant 14/11/0

For higher profits

By Kerry Clarke

The plant often targets a 20% increase in output over the previous year, aiming to boost its production capacity. However, this year's targets have been set with a focus on improving efficiency and reducing waste. The management team is working on implementing new technologies and processes to achieve these goals. The plant is also investing in employee training and development to enhance skills and productivity. Overall, the goal is to maintain a steady growth and meet the increasing demand for the product.
Interim is held at 22c by Anglo-Alpha

CEMENT group Anglo-Alpha has maintained its interim dividend at 22c in spite of a 33.9% fall in earnings to 28.3c a share (92.8c) in the six months to June.

The decision to hold the interim was taken on expectations of a significant increase in cash flow in the full year, with earnings higher in the second half. The fall in earnings partly reflects the group's policy to make large current cost adjustments in the accounts to reflect the real profit situation and partly a sharp rise in finance costs.

The group increased turnover by 3.5% to R169.9m from the 1985 half-year's R155.3m, mainly due to an improved sales mix in the industrial division and selling-price increases in all divisions.

But a 27.4% rise in finance costs to R17.1m (R12.5m), and a 27.7% increase in the current cost adjustment to R10.4m (R7.6m), resulted in a near-40% dip in net attributable profits to R8.5m (R12.9m).

The decision to maintain the interim dividend was taken on an estimated increase of up to 20% in this year's cash flow on 1985's R74.5m. Cash flow for the first six months to June was in line with the R49m reported for the previous period, say directors.

Net operating income rose by 2.2% to R37.5m (R36.7m), but net income before tax and the current cost adjustment was down 9.7% to R22.8m (R25.2m). This was a direct result of lower sales volumes, particularly in the stone division, and the increase in finance costs.

The sharp rise in finance costs was attributable to interest charges for the full six months on the R300m Ulco project being charged directly against income. For the same period last year, a major portion was capitalised as part of the cost of the Ulco project.

However, tax declined by 21.4% to R5.4m (R6.3m) as a result of tax allowances on the project.

Traditionally, Anglo-Alpha experiences better trading conditions in the second half of the year.

MD Johan Pretorius says trading conditions for the remainder of 1986 will remain difficult, although an improvement in second-half earnings is expected.

Cement sales, unlike most other building materials, have held up surprisingly well - declining in line with the industry's sales, by 3.3% over the first half of 1986.

The December 1985 price increase resulted in an 11.2% rise in the cement division's turnover, but this was insufficient to offset rises in production costs, finance charges, depreciation and the current cost adjustment.

As a result, net taxed income of the cement division fell by 21%.

The stone division suffered a 20.8% decline in sales volumes of crushed stone and stone for gold processing.

Selling-price increases and a 26.4% improvement in revenue from the sale of rock for gold processing helped reduce the drop in turnover to 12.9%.

But net operating profit showed a substantial drop.

The industrial division's turnover rose 15.6% to R15.3m (R44.5m) as a result of an improved sales mix and price increases, but sales volumes showed a modest decline on low demand for most products.

Nevertheless, the industrial division still managed to record a 37.3% improvement in net operating profit to R9.6m (R7.6m).

The dividend total should be maintained at 32c on Pretorius's prediction of unchanged profits.
NOTICE 560 OF 1986
DEPARTMENT OF MANPOWER

WAGE ACT, 1957

WAGE BOARD INVESTIGATION — REVISION OF WAGE DETERMINATION 410, CEMENT PRODUCTS INDUSTRY, CERTAIN AREAS

The Wage Board has decided, in terms of section 15 (3) (a) of the Wage Act, 1957, to allow persons who have an interest in the above-mentioned investigation, particulars of which were published in Government Gazette 10349 (under Government Notice 1499) of 18 July 1986 to submit oral representations to the Board. For the purpose of hearing such representations, the Board will hold meetings at the places, dates and times indicated below:

(a) Cape Town — In the Boardroom, Room 330, Thomas Boydell Building, Parade Street, at 09h00 on 28 August 1986.

(b) George — In the Boardroom, Department of Manpower, Magistrate’s Offices, York Street, at 11h00 on 3 September 1986.

(c) Pretoria — In the Doomsenaal Building, 94 St John Street, at 09h00 on 4 September 1986.

(d) Bloemfontein — In the Boardroom, Room 205, Croll’s Building, 14 Elizabeth Street, at 11h00 on 8 September 1986.

(e) Kimberley — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(f) Durban — In the Boardroom, Department of Manpower, Smuts Building, corner of Market Square and Stead Street, at 14h30 on 16 September 1986.

(g) Pretoria — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(h) Bloemfontein — In the Doomsenaal Building, 94 St John Street, at 09h00 on 4 September 1986.

(i) Kimberley — In the Boardroom, Department of Manpower, Croll’s Building, 14 Elizabeth Street, at 11h00 on 8 September 1986.

(j) Pretoria — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(k) Durban — In the Boardroom, Department of Manpower, Smuts Building, corner of Market Square and Stead Street, at 14h30 on 16 September 1986.

(l) Kimberley — In the Boardroom, Department of Manpower, Croll’s Building, 14 Elizabeth Street, at 11h00 on 8 September 1986.

(m) Bloemfontein — In the Doomsenaal Building, 94 St John Street, at 09h00 on 4 September 1986.

(n) Kimberley — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(o) Pretoria — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(p) Durban — In the Boardroom, Department of Manpower, Smuts Building, corner of Market Square and Stead Street, at 14h30 on 16 September 1986.

(q) Kimberley — In the Boardroom, Department of Manpower, Croll’s Building, 14 Elizabeth Street, at 11h00 on 8 September 1986.

(r) Bloemfontein — In the Doomsenaal Building, 94 St John Street, at 09h00 on 4 September 1986.

(s) Kimberley — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(t) Pretoria — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(u) Durban — In the Boardroom, Department of Manpower, Smuts Building, corner of Market Square and Stead Street, at 14h30 on 16 September 1986.

(v) Kimberley — In the Boardroom, Department of Manpower, Croll’s Building, 14 Elizabeth Street, at 11h00 on 8 September 1986.

(w) Bloemfontein — In the Doomsenaal Building, 94 St John Street, at 09h00 on 4 September 1986.

(x) Kimberley — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(y) Pretoria — In the Boardroom, Department of Manpower, Main Strand Building, corner of Market Square and Stead Street, at 10h30 on 9 September 1986.

(z) Durban — In the Boardroom, Department of Manpower, Smuts Building, corner of Market Square and Stead Street, at 14h30 on 16 September 1986.
KENNISGEWING 562 VAN 1986
DEPARTEMENT VAN MANNEKRAG
LOONWET, 1957

LOONRAADOWERSEK. — HERSIENING VAN
LOONVASTELLING 418, GLAS- EN GLASWAREN-
WERHEID, REPUBLIEK VAN SUID-AFRIKA

Die loonraad het, kragtens artikel 15 (3) (b) van die
Loonwet, 1957, besluit om persone wat belang het by bogen-
melde onderzoek waarvan besonderhede in Staatskoerant
10349 (by Goe wernetskensgewing 1500) van 18 Julie
1986 gepubliseer is, toe te laat om mondelinge vertoe tot die
Raad te rig. Vir die doel sal die Raad vergaderings hou op
die plekke, datums en tye hieronder aangedui.

(a) Kaapstad.—In die Raadkamer, Kamer 213, Thomas
Boydellgebou, Paradestraat, om 11h00 op 29 Augustus
1986;
(b) Durban.—In die Raadkamer, Kamer 314, Masoniclanningsstaatskantore, om 14h00 op 18 Septem-
tober 1986, en
(c) Johannesburg.—In die Raadkamer, Kamer 1401, Conlyngen, Presidentstraat 156, om 14h00 op 13
November 1986.

J. P. OOSTHUIZEN,
Sekretaris: Loonraad.
(15 Augustus 1986)

NOTICE 562 OF 1986
DEPARTMENT OF MANPOWER
WAGE ACT, 1957

WAGE BOARD INVESTIGATION — REVISION OF
WAGE DETERMINATION 418, GLASS AND GLASS-
WARE MANUFACTURING INDUSTRY, REPUBLIC OF
SOUTH AFRICA

The Wage Board has decided, in terms of section 15 (3)
(b) of the Wage Act, 1957, to allow persons who have an
interest in the above-mentioned investigation, particulars of
which were published in Government Gazette 10349 (under
Government Notice 1500) of 18 July 1986 to submit oral
representations to the Board. For the purpose of hearing
representations, the Board will hold meetings at the places,
dates and times indicated below.

(a) Cape Town.—In the Boardroom, Room 213, Thomas
Boydell Building, Parade Street, at 11h00 on 29
August 1986,
(b) Durban.—In the Boardroom, Room 314, Masonic
Grove Government Office, at 14h00 on 18 September
1986; and
(c) Johannesburg — In the Boardroom, Room 1401,
Conlyngen, 156 President Street, at 14h00 on
13 November 1986.

J. P. OOSTHUIZEN,
Secretary. Wage Board.
(15 August 1986)

KENNISGEWING 563 VAN 1986
KENNISGEWING VAN AANSOEK OM VERANDE-
RINGS AAN 'N ABATTOIR KRAGTENS ARTIKEL 13
(1) VAN DIE WET OP DIE ABATTOIRBEDRYF, 1976
(WET 54 VAN 1976)

Kennis geskied hiermee ingevolge regulasie 12 (2) van
de regulasies uitgevaardigd kragtens die Wet op die Abat-
toirkommissie, 1976 (Wet 54 van 1976), dat mnr Sterkewes
(Edms.) Bpk., Posbus 16, Wolwehoek, 9550, kragtens arti-
kel 13 van genoemde Wet by die Minister van Landbou-
ekonomie en van Waterwese aansoek gedoen het om goe-
keuring vir veranderingen aan die abattoir te Frankfort.

Indien die aansoek toegestaan word, sal die slagkapasiteit
van die abattoir vanaf 20 na 99 slageweke per dag verhoog
word

Iemand wat vertoe of besware in verband met bogen-
noemde aansoek wil rig, moet sodanige vertoe of besware
aan die Voorsitter, Abattoirkommissie, Privaatsak X250,
Pretoria, 0001, rig binne 'n tydperk van 30 dae vanaf
datum van publikasie van hierdie kennisgewing en op die wyse
uiteengesit in die regulasies kragtens genoemde Wet uitge-
vaardig

Aandag word gevestig dat die Minister verlang dat
iemand wat vertoe of besware teen 'n aansoek aan hom
voerlê, terselfdertyd 'n afskriw van die stuk waarin sy
besware uiteengesit is op die betrokke appellant moet bestel.
Hierdie besware moet onder eed bevestig word

A D MARITZ,
namens Voorsitter Abattoirkommissie.
(15 Augustus 1986)

NOTICE 563 OF 1986
NOTICE OF APPLICATION FOR APPROVAL FOR THE
ALTERATION OF AN ABATTOIR IN TERMS OF SEC-
TION 13 (1) OF THE ABATTOIR INDUSTRY ACT, 1976
(Act 54 of 1976)

It is hereby made known in terms of regulation 12 (2) of
the regulations promulgated in terms of the Abattoir Indus-
try Act, 1976 (Act 54 of 1976), that Messrs Sterkewes
(Pty) Ltd, P.O. Box 16, Wolwehoek, 9550, has in terms of
section 13 of the said Act applied to the Minister of Agri-
cultural Economics and of Water Affairs for approval for the
alteration of the abattoir at Frankfort.

If the application is granted, the slaughter capacity of the
abattoir will increase from 20 to 99 slaughter units per day.

Any person intending to submit representations or objec-
tions in regard to the above-mentioned application shall
forward such representations or objections to the Chairman,
Abattoir Commission, Private Bag X250, Pretoria, 0001,
within a period of 30 days from the date of publication of
this notice and in the manner set out in the regulations
published under the said Act.

Attention is invited to the fact that the Minister requires
that any person who submits objections to an application to
him, to serve on the applicant concerned a copy of the
document in which his objections are set out. Such objec-
tions must be affirmed under oath.

A D MARITZ,
for Chairman Abattoir Commission
(15 Augustus 1986)
PPC: built on solid foundations

BESET by tough conditions in the building and construction industries, Pretoria Portland Cement (PPC) did well to hold its interim dividend at 14c for the six months to July.

But this company knows what tough times are all about. Just four years short of being 100 years old, PPC started life under pressure.

Founded in 1890 by German-born Edouard Lippert, the company made a loss for the first 16 years of its existence.

It wasn’t until the arrival of American manager Ezekiel Davidson, that PPC was turned around and began to show a modest profit.

Davidson had the old kilns replaced with modern rotary kilns.

When the builders of the largest project ever undertaken in SA — the Union Buildings — contracted PPC to supply all the cement needed, the company’s future was assured.

Today it remains one of the heavyweights of the cement industry.

Despite a drop in sales — down 10% to 1.4-million tons this year — and pressure from the Competition Board, PPC continues to go from strength to strength.

PPC’s first plant, Hercules, is still operating a few kilometres north of Pretoria, but the company has expanded enormously since its early days.

From an initial staff of 50, the company now employs 4,000.

In 1910, a third kiln was installed at Hercules. Since then there has been continuous expansion. Operations gradually extended and the farm Rietvallei, with its great deposits of lime, became home to the next factory.

The company founded Cape Portland Cement in 1921 with a large factory at De Hoek, near Piketberg. In the same year PPC bought a substantial holding in Zimbabwe’s Premier Portland. Four years later a site was acquired near Germiston to cater for the Johannesburg market.

The 1940s saw the the West Wits Line open and a new goldfield laid out. To meet demand from this, a factory was established at Orkney, Western Transvaal, starting operations in 1948.

The Hercules and Port Elizabeth plants were expanded in 1951, followed in 1959 by the installation of the first large dry-process kilns at Slurry. The most recent units brought into operation were the four-stage preheater kilns at Hercules (1974) and Slurry (1975).

In 1977, long-standing ties with Rand Mines were strengthened when the company became a subsidiary of the Barlow Rand group. In the same year PPC diversified into the lime industry and acquired ownership of Northern Lime.
PE poised to share in massive export drive by top glass group

By BOB KERNOHAN
Business Editor

PORT Elizabeth is poised to share in a multi-million export drive being undertaken by the country’s largest glass manufacturer.

Mr Ronnie Lubner, joint executive chairman of Plate Glass and Shatterprufe Industries, said last night the company was planning to expand its R50-million-a-year export market.

Heading the drive will be PE executive Mr Chris Tinley, current managing director of Pilkington Shatterprufe, who next month takes up the new position of director in charge of the Glass South Africa group’s export programme.

He will continue to be based in PE.

Mr Lubner said at a function to mark the 50th anniversary of Pilkington Shatterprufe beginning operations in PE, that exports were the “future blood of South Africa”.

Referring to the R50-million in export orders captured by the group last year — production of more than half of which took place in PE — Mr Lubner said this would “be nothing” compared to anticipated growth over the next 10 years.

He announced that Mr Chris Murray would take over from Mr Tinley as managing director of Plateglass Shatterprufe, which employs 1 500 people at its Neave and Struandale plants in the city, and a further 650 in other parts of the country.

An announcement by the company today said “As a result of the tremendous growth of Glass South Africa’s exports, and the long-term importance of maintaining and developing this area of business, it has been decided to appoint Mr Tinley as director of exports, Glass South Africa, from September 1.

“He will be responsible for developing and improving Glass SA’s exports.”

The group comprises the PE operations, plants in Springs and Garankuwa, and retail and wholesale sales and marketing.
Fibre-cement industry takes knock

The fibre-cement industry's immediate difficulties are reflected in the recent preliminary results announced for Everite.

The Swiss-controlled company, which derives approximately half its turnover from the fibre-cement division, posted a 64% decline in net profit to R5.5m.

Manufacturing plants for the whole industry, which were designed in the 70s to meet the mass housing market, are running at 40% capacity with 80,000 tons of pipe and 150,000 tons of building materials forecast for this year.

And now the threat of sanctions may well curtail efforts to introduce a range of asbestos-free, fibre-cement products.

Manufacturers stress that local asbestos and cement supplies are plentiful, but alternative fibres used in new technology products are all imported.

"Strict sanctions will obviously undermine our alternative fibre programme," says Everite's technical manager Hans Grooting.

"This will be a disappointment to us as we have already spent an estimated R13m on new technology over the past six years."

The weak rand and the high cost of imported fibres have already had an adverse effect on the development programme.
Low-cost housing a boost for bricks

By Frank Jeans

While the brick market continues to "bump along the bottom" in line with other sectors of building-related industries, there is little doubt that the increasing tempo in the provision of low-cost housing will pull the brick business back to recovery.

Even now, the 166 million brick stockpile in the Transvaal of the country's major producer, Corobrik, is being continually reduced thanks to buoyant conditions in two areas of the market: the lower-income home and the first-time home which qualifies for the R40 000 Government subsidy.

And if the millions allocated by the Government to give further momentum to housing programmes filter through to the homebuilders soon, it won't be long before Corobrik takes another look at its nationwide operations.

Some of these have been mothballed because of the present downturn.

"We are continuing to reduce the size of our stock in relation to the size of market activity," says Mr Brian Waberski, managing director of Corobrik Transvaal.

"The market remains very competitive in the Transvaal. There is no doubt that the R750 million injection for housing can only help the brick industry."

It should be remembered, too, that a 166 million brick stockpile, although considered large, is about 60 million up compared with normal conditions.

Even in a stable market Corobrik maintains a 100 million brick stockpile to ensure service and delivery times to customers.

An indication of the good markets which are developing for the building industry is seen in an order for nine million Corobrik clay face and plaster bricks for a housing project in Eldorado Park.

The Johannesburg Coloured Management Committee has ordered 13 million bricks a month for the building of 564 homes at Eldorado Park.

"We believe the clay brick remains the best for our purposes," says Mr Donald Harry Mateman, MP for Eldorado Park and a member of the committee.
Building upturn boosts W Cape brick industry

By TOM HOOD
Property Editor

Business is picking up in the Western Cape's building industry and increased demand for bricks has encouraged Corobrik, the largest manufacturer, to start double-shift working at its Koelenhof factory.

This will double capacity and increase the company's total production in the Western Cape by about 10 percent.

Three other mothballed factories at Somer set West, Killarney and Paarl will have to come back into production if demand continues, says Corobrik sales manager Mike Ingram.

Sales in August were 40 percent higher than June's, he says, and new projects such as major developments at Blue Downs could see demand outstripping production in the short term.

"There is a significant improvement in demand, particularly for pavers and face bricks.

"The upturn in sales began in the second half of July and compared to June represents a major improvement.

"Considering the heavy rains we had recently and the number of stoppages they caused on building sites, the increased demand is amazing."

All houses are to be built for sale and some 21 developers or contractors have submitted proposals.

Tenders ranged from large national construction groups to small Cape companies and awards are likely to be announced near the end of next month, says Mr Carel du Preez, chief director of the Department of Local Government and Housing.

Plans for the second stage of 7,500 houses are now ready and developers can obtain documents from Room 1002, Parliament Towers, Plein Street, Cape Town.
Gearing for profit

use of the allowances, strange creatures called lessor trusts were created to permit third-party companies to benefit. This abuse was stopped, but still tax life goes on.

One characteristic common to taxbase trading and film finance is that both were, or are, good in law. So who's to blame an individual or company for making use of a good thing?

But where to draw the line between legitimacy and abuse is the question. The film industry, we believe, deserves some incentives but investors who stand to make big bucks also need to face the risks.

This, Inland Revenue tells the F.M., will be the basis of the new rules which the government is now drawing up. Unlike taxbase trading, concessions will continue, but risk-taking will be recognised as part of the deal.

The rules will also ensure that a given percentage of the production costs are invoiced in SA. This will not affect the legitimate domestic industry, but foreign studios will have to spend more locally than they did in the past.

CEMENT SHARES

After the slide

The locomotive that is gross domestic fixed investment (GDFI) has been rolling backwards since 1981. Accordingly, industries that depend on GDFI for their momentum have been shut into retreat. The cement industry is largely powered by GDFI, and the uptick is that demand for cement has plunged to its lowest level since 1977 and that is having a severe blow to profitability. Apart from that, there are concerns about the implications for longer-term earnings of the Competition Board's tilt towards a more free market and greater competition in the industry.

The industry believes the market has bottomed and cites an improving level of contracts for roads and low-cost housing, as well as a levelling trend in demand statistics, as a basis for their optimism. Some have high hopes for good demand from such potential projects at the Lesotho Highlands Water Scheme and the Mossel Bay gas project, but these are essentially long-term projects which would have only a limited impact over the next year or so. A steady stream of structural work arising from a recovering economy is what is needed now.

Given a few breakthroughs, the cement industry, which will turn over about R660m this year, has greater potential for recovery than most SA's three big pro-

The cement industry has fared better in the recession than industry-related enterprises such as construction. Demand is down, but they have proved resilient, although a Competition Board investigation could deregulate distribution and hurt the Big Three's bottom line.

Producers — PPC (with 44% of the market), Anglo-Alpa (36%) and Blue Circle (20%) — have spare capacity totalling over 5 Mt following a collective R850m capital expansion programme undertaken over five years.

Industry capacity is 11.9 Mt, compared with expected demand of about 6.6 Mt for the year, which means the industry is running at about 55% utilisation. Some major expansions have come on stream with unfortunate timing. PPC's R220m Dwai/lboom plant remains mothballed, for example.

There has been some consolation in the form of lower interest payments to ease the burden on those producers who borrowed to expand, namely Blue Circle and Anglo-Alpa.

However, what really matters for a recovery in this capital-intensive industry is sales volume. With its infrastructure already in place, the benefits of any additional volumes will flow straight through to the bottom line.

PPC's earnings fell by 4% in 1985, Anglo-Alpa's by 14% and Blue Circle's by 31%.

PPC's relatively small decline resulted from investment allowances which reduced the tax rate — the group's pre-tax profits fell by 19%. For the current year, however, PPC — whose year-end is three months earlier than the others — expects earnings to decline by more than 30% to 100c a share, 24% lower than in 1984. Perhaps PPC is adopting a

Capacity booms, demands gloom

Bags of space

The cement industry has fared better in the recession than industry-related enterprises such as construction. Demand is down, but they have proved resilient, although a Competition Board investigation could deregulate distribution and hurt the Big Three's bottom line.

Producers — PPC (with 44% of the market), Anglo-Alpa (36%) and Blue Circle (20%) — have spare capacity totalling over 5 Mt following a collective R850m capital expansion programme undertaken over five years.

Industry capacity is 11.9 Mt, compared with expected demand of about 6.6 Mt for the year, which means the industry is running at about 55% utilisation. Some major expansions have come on stream with unfortunate timing. PPC's R220m Dwai/lboom plant remains mothballed, for example.

There has been some consolation in the form of lower interest payments to ease the burden on those producers who borrowed to expand, namely Blue Circle and Anglo-Alpa.

However, what really matters for a recovery in this capital-intensive industry is sales volume. With its infrastructure already in place, the benefits of any additional volumes will flow straight through to the bottom line.

PPC's earnings fell by 4% in 1985, Anglo-Alpa's by 14% and Blue Circle's by 31%.

PPC's relatively small decline resulted from investment allowances which reduced the tax rate — the group's pre-tax profits fell by 19%. For the current year, however, PPC — whose year-end is three months earlier than the others — expects earnings to decline by more than 30% to 100c a share, 24% lower than in 1984. Perhaps PPC is adopting a
Cement traders predict an upturn in 1987

MICK COLLINS

THE August 1 increase in cement prices (6%) saw traders scratching to cover positions in July and resulted in false market returns for the month.

"There was a lot of stocking up prior to the increase. As a result, August was a bad month," an Anglo Alpha spokesman says.

Initial weekly figures for September indicate a healthier position and the industry now sees itself back on a modest return to previous levels.

"While there has been no increase in demand, the rate of decline has slowed. We are forecasting an upturn next year led by residential building (low-cost housing), power stations and road development," the spokesman said.

Sales levels for 1986 are still running 4.5% below those of 1985 with total sales for the year projected at 6.2-million tons, against last year's 7.2-million tons.

"All indications are that we are now bottoming out. Cement demand in the past has shown a close correlation with the Gross Domestic Fixed Interest rate (building), and the Bfisa forecast ties in with our own."

"This year has seen the lowest level of sales since 1979, but considering our low base we foresee a mild upswing."

Figures released by the Federated Chamber of Industries reflect the July figures as being 0.9% higher than July 1985. Total milling for July this year was 635,568 tons (see table).

"This is the third monthly increase for 1986 after that of February (3.4%) and January (2.4%)."
CULLINAN

Electrical boost

Activities: Manufacture and marketing of refractories, building bricks, porcelain electrical insulators and other industrial electrical products. Other divisional activities include development and sale of property, mining and processing of base minerals, and heavy electrical construction and contracting.

Control: Anglo American has about 33% of the equity, and SA Mutual has 19%

Chairman: N M Cullinan, deputy chairman: E P H Beeber

Capital structure: 12.2m ords of 50c each and 800 000 5.6% cum prefs of R2 Market capitalisation: R82.4m

Share market: Price: 675c. Yields: 5.2% on dividend; 11.3% on earnings, PE ratio: 8.9; cover, 2.2; 12-month high: 750c; low, 450c; Trading volume last quarter: 141 000 shares

Financial: Year to June 30

\begin{tabular}{|c|c|c|c|c|}
\hline
 & '83 & '84 & '85 & '86 \\
\hline
\textbf{Debt} & & & & \\
Short-term (Rm) & 16.4 & 9.7 & 7.1 & 2.2 \\
Long-term (Rm) & 24.5 & 14.8 & 12.2 & 12.2 \\
\hline
\textbf{Debt equity ratio} & 0.90 & 0.30 & 0.31 & 0.16 \\
\textbf{Shareholders’ equity} & 0.49 & 0.61 & 0.66 & 0.66 \\
Int & lease cover & 1.5 & 3.6 & 2.6 & 3.8 \\
Debt cover & 0.12 & 0.94 & 0.4 & 1.21 \\
\hline
\textbf{Performance} & & & & \\
Return on cap (%) & 8.2 & 8.6 & 10.7 & 9.6 \\
Turnover (Rm) & 172.2 & 138.0 & 143.0 & 178.0 \\
Pre-int profit (Rm) & 11.4 & 12.9 & 13.8 & 13.3 \\
Pre-int margin (%) & 6.6 & 9.4 & 9.8 & 7.4 \\
Earnings (c) & 29.9 & 56.5 & 62.3 & 76.1 \\
Dividends (c) & 27 & 27 & 30 & 35 \\
Net worth (c) & 480 & 696 & 730 & 731 \\
\hline
\end{tabular}

The 1986 performance underlines the efficacy of the diversification embarked upon several years ago. The 31% advance in earnings lifted EPS to 76.1c, in sight of the peak figure of 97.5c earned in 1982—which was followed by the 69% collapse in 1983—and enabled a 17% increase in the dividend.

Chairman Neil Cullinan says three factors played an important part in the latest figures: a good performance by divisions in the electricity-related fields, a satisfactory rise in contribution from associated partnerships, and considerably lower interest costs.

There was a strong surge in profits from the electrical interests, whose total contribution to group earnings rose from 53.8c a share to 63.4c, however, the increase was concentrated entirely in the electrical trading division, whose contribution jumped from 7.4c to 20.4c.

Ed Polkinghorne, divisional CE, says the trading division's results were derived from continued momentum in Escom's expansion of its distribution network, increased sales of electronic products and the introduction of new products with opening up of new markets.

Other electrical activities — the electrical insulators and electrical contracting divisions — both posted small declines. Cullinan says a cyclical downturn is being felt in the results of electrical contracting, and “this trend is expected to continue in the short term as the available pool of new capital construction projects begins to dry up.”

Improvement was also seen in refractories and industrial plastics (which have been sold), but was outweighed by severe falls in property and building bricks. Notably, while turnover was ahead by 22%, changes in the profit mix reduced margins and left group operating profit slightly lower.

Profits of associated partnerships and companies, the most important being the 50-50 partnership with Iscor in Cullinan Refractories, climbed from R1.4m to R2.7m. “High levels of plant output and sales revenues were attained,” says Refractories CE Ed Harbuz. “Local demand for refractories remained strong in the steel and other metallurgical industries but a significant decline was noted in certain other market sectors.” He adds that while export shipments have increased, the weak rand adversely affects costs, as a significant proportion of raw materials used by the division are imported.

However, the major boost to last year's earnings came from the 42% decline in the interest bill, which resulted both from lower rates and repayment of borrowings. By year-end, short-term loans had been substantially brought down and the R6.8m debentures converted to equity capital, the effect was that gearing nearly halved to a strong 0.16. This continues a steady strengthening of the balance sheet in recent years — in 1982, gearing was as high as 0.64.

Looking at prospects, Cullinan notes that in the short to medium term, there is every likelihood sanctions will have the effect of boosting local industry as it moves in to take up the slack and replace previously imported products. “If this scenario is valid,” he says, “our group may well stand to gain in the...”
coming year along with those others which manufacture and supply basic infrastructural necessities.

At 675c, the share price is nearly R1 above the level of 580c ruling when the preliminary figures were announced. But if Cullman's short-term prognosis is realistic, there could be potential for further appreciation in both share price and dividend in the current year. 

Andrew McNulty
I am told that measures are being taken to improve the operating performance and raise profitability in lossmakers. In certain operating areas marketing has been stepped up, the spokesman says, and expenses are being cut back. But, because Rentbel does not disclose the results of the individual subsidiaries and associates, precise details or subscribing information is not available.

The rise in interest-bearing debt to R15,1 (R10,1) and interest payments to R1,93m (R1,8m) further depressed earnings, despite benefits of lower rates. The rise in debt, however, may stem partly from the first-time consolidation of James Sydney (Transport) which was reorganised during the year.

James Sydney sold its transport companies to Explo and then sold 40% of the newly constituted company to AECI. James Sydney now has 60% of Explo. Other changes to the investment include the purchase of 60% of CCR Woven Packaging and additional pref shares in President Insurance, which cost R540,000.

The directors' controlling interest in Rentbel increased last year to 58,86% compared with 53,76% in 1983 and 32% in 1984. This could be seen as either a vote of confidence, or merely a strategy to ward off potential raids on the company.

On an earnings yield of 5,4%, Rentbel compares favourably with the investment holding sector average of 8% and, since a year ago, has been sharply erated against other investment holding stocks. Although going through a rough patch with its engineering and metal subsidiaries, Rentbel could have sufficient strength in other areas to make it a longer-term proposition. But the widespread interest in the poor level of disclosure will do little for investor confidence.

Mark Ingham

FEELING THE PINCH

Everbite’s exposure to hard-pressed building markets resulted in profits last year falling even more sharply than in 1985. Net profit has dropped a whopping 70% to R4,5m (R13,5m), while turnover remained virtually static. This indicates how tight margins have become, owing to the company’s inability to recoup escalating input costs in its selling prices.

Capex of R6,5m in the fibre-cement division was high in relation to that division’s activities. The group, in response to medical concerns about asbestos, is working to reduce the asbestos content of fibre-cement products, and is bringing new ones to the market, such as Beaver Shingles.

Markets share boost

The acquisition of Carltoncrete for R1,75m will boost the concrete division by increasing its share of the culvert and pipe market. Carltoncrete should make a useful contribution during 1987, says management, after a year in which losses for the division amounted to R3,8m (R995,000). But with prices under pressure, no material turnaround should be expected.

Use of investment allowances increased the tax equalisation provision to R5,3m (R4,1m). As these allowances are to be abolished at year-end, executive director John Kennedy says this provision should begin to diminish this year.

Everbite’s Arn... struggling with margins

FOREIGN BOURSES

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam Industrial Index</td>
<td>186</td>
<td>275</td>
<td>278</td>
<td>ASA</td>
<td>39</td>
<td>38</td>
<td>39</td>
</tr>
<tr>
<td>CAC Gen (Paris)</td>
<td>205</td>
<td>364</td>
<td>389</td>
<td>Bank of America</td>
<td>14</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Commerzbank (Frankfurt)</td>
<td>1,905</td>
<td>1,985</td>
<td>2,016</td>
<td>Exxon</td>
<td>52</td>
<td>66</td>
<td>67</td>
</tr>
<tr>
<td>Dow Jones Index (New York)</td>
<td>1,324</td>
<td>1,765</td>
<td>1,784</td>
<td>General Motors</td>
<td>68</td>
<td>68</td>
<td>69</td>
</tr>
<tr>
<td>New Stock Exchange (Tokyo)</td>
<td>1,025</td>
<td>1,633</td>
<td>1,456</td>
<td>Homestake</td>
<td>25</td>
<td>28</td>
<td>29</td>
</tr>
<tr>
<td>Swiss Bank Corp Index (Zurich)</td>
<td>476</td>
<td>545</td>
<td>552</td>
<td>IBM</td>
<td>124</td>
<td>134</td>
<td>134</td>
</tr>
<tr>
<td>Sydney &amp; Melbourne Index</td>
<td>1,017</td>
<td>1,257</td>
<td>1,311</td>
<td>UK</td>
<td>196</td>
<td>180</td>
<td>178</td>
</tr>
<tr>
<td>UK Industrials (FT)</td>
<td>1,012.4</td>
<td>1,212.8</td>
<td>1,261.2</td>
<td>Barclays</td>
<td>386</td>
<td>464</td>
<td>464</td>
</tr>
<tr>
<td>UK Government Securities</td>
<td>84.7</td>
<td>81.3</td>
<td>77.7</td>
<td>GEC</td>
<td>152</td>
<td>160</td>
<td>170</td>
</tr>
<tr>
<td>UK Actuaries 750 shares</td>
<td>625.7</td>
<td>762.5</td>
<td>777.8</td>
<td>Marks &amp; Spencer</td>
<td>438</td>
<td>684</td>
<td>899</td>
</tr>
<tr>
<td>US Ind (Std &amp; Poor)</td>
<td>203</td>
<td>264</td>
<td>260</td>
<td>Standard Chartered</td>
<td>547</td>
<td>632</td>
<td>667</td>
</tr>
<tr>
<td>TOYOTA</td>
<td>1,100</td>
<td>2,110</td>
<td>1,880</td>
<td>Rio Tinto</td>
<td>547</td>
<td>632</td>
<td>667</td>
</tr>
<tr>
<td>ZURICH</td>
<td>2,890</td>
<td>3,620</td>
<td>3,610</td>
<td>British Telecom</td>
<td>196</td>
<td>180</td>
<td>178</td>
</tr>
<tr>
<td>Credit Suisse</td>
<td>466</td>
<td>521</td>
<td>543</td>
<td>Barclays</td>
<td>386</td>
<td>464</td>
<td>464</td>
</tr>
<tr>
<td>Swiss Bank</td>
<td>4,210</td>
<td>5,625</td>
<td>5,790</td>
<td>GEC</td>
<td>152</td>
<td>160</td>
<td>170</td>
</tr>
<tr>
<td>Union Bank</td>
<td>4,210</td>
<td>5,625</td>
<td>5,790</td>
<td>Marks &amp; Spencer</td>
<td>438</td>
<td>684</td>
<td>899</td>
</tr>
</tbody>
</table>

FINANCIAL MAIL OCTOBER 10 1986
Glass workers

get 5c/hr rise

THE Chemical Workers' Industrial Union (CWIU) has negotiated a 5c cent an hour increase to the minimum wage of workers at five Pilkington Glass factories around the country, a union statement says.

Workers returned yesterday after management increased minimum wage to R3,59 an hour.
Asbestos is still a dirty word

As the market for asbestos collapses in the US, the developing countries which suffer, argues Gary Nash, president of the Asbestos Institute.

Mr Nash claims that the US Environmental Protection Agency (EPA) is ignoring recent studies which show no increased incidence of disease at low levels of exposure.

Producers view the EPA ban abroad as an example of environmental imperialism. The ban would hurt economic growth in many poor countries where asbestos cement is popular because it is a practical alternative to iron and PVC, which require a steelmaking capacity or petroleum industry to manufacture them.

Nash says a United Nations report claims that 250,000 people die each day for lack of drinking water and that banning asbestos would do great harm to the Third World.

Statistics for the worldwide production of asbestos indicate that Russia produced 2.38 million tons of asbestos in 1984, though this figure is unconfirmed.

This compares with a figure of 0.84 million tons for Canada.

Zimbabwe’s production for 1985 is claimed to be 0.24 million tons, though this, too, cannot be verified.

The most recent figure for South Africa is 0.2 million tons in 1984.

Counters

The EPA estimates that banning asbestos would save 1,900 lives over the next 15 years, but the producers say the cost of replacing asbestos would be $2 billion, and they suggest the price is too high.

Irving Seidoff, a professor of medicine at the Mount Sinai School of Medicine, counters that at many industrial sites such as shipyards and car plants where asbestos is still used there is no proper protection.

ACCORDING to a recent report, asbestos is still a dirty word in most of the Western world. The fibre’s market has fallen rapidly over the past seven years.

Between 1977 and 1985 Canada’s output has slumped 50% from around 1.406 million tons to 700,000.

The main reason for this drop has been a 50% fall in US offtake, down to 100,000 tons in 1985.

In January this year the US Environmental Protection Agency (EPA) proposed a ban on asbestos, saying “No level of asbestos is without risk.”

Premysl Peinlar, a medical consultant at Canada’s Asbestos Institute, says that the EPA is ignoring recent studies which show no increased incidence of disease at low levels of exposure.

The producers further argue that the cost of a total ban outweighs the benefits.

### COMPANY ROUND-UP

<table>
<thead>
<tr>
<th>INTERMS</th>
<th>Turnover (lm)</th>
<th>% change</th>
<th>Pretax profit (lm)</th>
<th>% change</th>
<th>Earnings (c)</th>
<th>% change</th>
<th>Div (c)</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farmag</td>
<td>337</td>
<td>+38.8</td>
<td>2.64</td>
<td>+29.4</td>
<td>3.4</td>
<td>+30.7</td>
<td>13.2</td>
<td>+20</td>
</tr>
<tr>
<td>Score</td>
<td>330.6</td>
<td>+72</td>
<td>6.614</td>
<td>+64</td>
<td>7.3</td>
<td>+48</td>
<td>7.6</td>
<td>+50</td>
</tr>
<tr>
<td>Desgra</td>
<td>n/p</td>
<td>--</td>
<td>951</td>
<td>+92</td>
<td>8.9</td>
<td>+141</td>
<td>0</td>
<td>--</td>
</tr>
<tr>
<td>Meshold</td>
<td>n/p</td>
<td>--</td>
<td>1.728</td>
<td>+10</td>
<td>8</td>
<td>+29</td>
<td>4</td>
<td>--</td>
</tr>
<tr>
<td>Anamint</td>
<td>n/p</td>
<td>--</td>
<td>24.7</td>
<td>+32</td>
<td>245</td>
<td>+33</td>
<td>240</td>
<td>+33.3</td>
</tr>
</tbody>
</table>

n/p = not applicable

### BUSINESS TIMES

As the market for asbestos collapses in the US, the developing countries which suffer, argues Gary Nash, president of the Asbestos Institute.

Mr Nash claims that the World Bank is refusing to fund construction in developing nations where asbestos has been specified as a building material.

Producers view the EPA ban abroad as an example of environmental imperialism.

The ban would hurt economic growth in many poor countries where asbestos cement is popular because it is a practical alternative to iron and PVC, which require a steelmaking capacity or petroleum industry to manufacture them.

Nash says a United Nations report claims that 250,000 people die each day for lack of drinking water and that banning asbestos would do great harm to the Third World.

Statistics for the worldwide production of asbestos indicate that Russia produced 2.38 million tons of asbestos in 1984, though this figure is unconfirmed.

This compares with a figure of 0.84 million tons for Canada.

Zimbabwe’s production for 1985 is claimed to be 0.24 million tons, though this, too, cannot be verified.

The most recent figure for South Africa is 0.2 million tons in 1984.

Counters

The EPA estimates that banning asbestos would save 1,900 lives over the next 15 years, but the producers say the cost of replacing asbestos would be $2 billion, and they suggest the price is too high.

Irving Seidoff, a professor of medicine at the Mount Sinai School of Medicine, counters that at many industrial sites such as shipyards and car plants where asbestos is still used there is no proper protection.
PPC on a hard road to recovery

By Peter Farley

The debilitating effects of the recession in the building industry have once again come to the fore with the latest set of figures from Pretoria Portland Cement (PPC) which show a 25 percent drop in attributable income.

Nevertheless shareholders have been rewarded because of both the strength of the group's balance sheet and cash flow with an increase in the total dividend payout to 47c a share from the previous year's 45c.

However, group MD Guy Luyt says that the figures are satisfactory under the circumstances. He points out that operating profit was virtually unchanged at R91 million on turnover up by 25 percent to R487,5 million.

The two main factors contributing to the lower net profit was a massive leap in the interest bill to R4,8 million from less than R1 million and the acquisition of bulk cement distributor Cooper & De Beer.

This latter move, though an important strategic decision, brought losses with it in the year under review Luyt says, however, that this operation is expected to make a positive contribution this year.

Despite gearing remaining at around the 30 percent mark, interest charges leapt after the cost of mothballing the giant production facility at Dwaalboom.

In the previous year interest charges on this facility were capitalised, but have now come off the income statement Luyt says that finance charges are expected to remain at around the same level this year.

But, while Luyt will not be drawn on specific forecasts for the current trading period, he said that the building industry appears to "have bottomed out" and that the next set of figures should be no worse than the last 12 months.

Referring to the increased dividend payment, Luyt says that after forecasting earnings for the year of 10c a share the group eventually managed to produce 115c. Given the group's inherent strength the board felt that the surplus should be distributed, particularly with cash flow forecasts looking good.

He also pointed out that PPC had been assisted during this difficult trading period by the benefits of efficiency exercises introduced in the past couple of years. "Everything we have been working towards has now come together," he added.

Nevertheless, he noted that with overall capacity in the country's cement industry standing at 11 million tonnes and demand projected to show little change from the current 7 million tonnes, there was still going to be enormous strain in the industry.

In line with these observations he said that there was no chance of the group bringing the Dwaalboom operation out of mothballs this year.

The group's share price has stagnated around the R10 mark for some months, after a brief flirtation to R13. The increased dividend offers an historic yield of 4,4 percent which, though above the general industrial average, suggests that the shares are fully priced for the time being.
PRETORIA Portland Cement has increased its final dividend to 53c — 20c last year — making a total of 83c (45c).

Attributable profits fell to R41,3-million from R55,9-million, equivalent to earnings a share of 118,1c (189,2c).

Dividend cover is 2,5 (3,6).

Results are ahead of annual report and interim forecasts of about 10c a share.

The company benefited from sales of bulk cement distributor Cooper & De Beer, which was acquired at the start of the financial year. Group turnover rose 25% from R336,9-million to R407,5-million.

Operating profit before interest was 1% up at R31,1-million.

The interest bill jumped from R755,000 to R4,6-million.
Blood, sweat and tears in concrete

DIAGONAL STREET

by DAVID CARTE

THE dire straits in which the construction industry finds itself have been well chronicled.

Civil-engineering activity is back to 1971 levels, levels of building work have fallen to a quarter of their peak, and more than 2,000 companies have gone broke.

Every major listed civil-engineering and construction company in SA has reported renewed losses.

The Big Three — Nige, Murray & Roberts and LTA — have together lost more than R330 million in the past 18 months. The share price of Murray & Roberts fell by R3.85 in March this year to 88.5 in May and has rallied recently to R7.40.

DAB has plunged from R3.50 in August 1986 to R1.15. LTA has fallen from R8.75 in March to R5.50 in a low of 35c before moving up to 38c recently.

Grainger, which is in construction, made losses, and its money recently in electronic and construction projects is in trouble.

A strong recovery in the construction sector, the Johannesburg Stock Exchange Actual 500 index and construction stocks fell by 1.7% in February, rising to 198.8 in June. Demand for the industry is improving, but not at the pace expected.

Disastrous results have come from big construction companies, with two large profits still flowing from projects started three years ago but the results are not expected to last. The Brown Bovis and Murray & Roberts share prices fell by 38c and 1.75c respectively.

The industry will not pick up until more diverse group of work is available.

GIANTS

Black housing would be a long-term growth area, but the industry is not yet ready to invest.

Civil engineers and builders are not too enthusiastic about prospects even though many are aware that the trend is changing.

The industry is not ready to invest in new projects, and the trend is changing.

FINANCE

Schacht's sees access to finance through Sago II as a development opportunity.

We found black buyers want property just like white buyers want. We are building what people want, offering the biggest, the best, the best, and the best.

The industry is not ready to invest in new projects, and the trend is changing.

Schacht's has access to finance through Sago II as a development opportunity.

We found black buyers want property just like white buyers want. We are building what people want, offering the biggest, the best, the best, and the best.

The industry is not ready to invest in new projects, and the trend is changing.

Schacht's has access to finance through Sago II as a development opportunity.

We found black buyers want property just like white buyers want. We are building what people want, offering the biggest, the best, the best, and the best.
Cement cartel said to be keeping prices down

CEMENT — the foundation of SA’s building and construction industries — is also one of the country’s most important cartel which is periodically subjected to criticism.

The three companies involved, Anglo-Alpha, Blue Circle and Pretoria Portland Cement (PPC), say without the cartel’s marketing and price agreements, the cement price would rocket by as much as 20% in a “free-for-all.”

This would create a high-risk/high-return situation instead of the current low-risk/low-return profile the industry maintains.

Cement is considered a strategic material and, with the reality of disinvestment, a strong and self-sufficient industry is vital — providing the cartel acts responsibly and in the interests of the consumer and the country.

Pricing

PPC commercial director Charles Hollmann says “The pricing formula that has been accepted is one of 15% profit before interest and tax, but the industry is currently running at substantially below that level.”

“Together with the enormous capital investment required, probably explains why nobody else has been interested in entering this market since Anglo-Alpha came in more than 40 years ago.”

The industry’s annual turnover is touching R1bn with a production capacity of about 11-million tons a year, of which about 4-million tons is spare capacity.

Hollmann says “This is necessary for us to be able to handle any sudden increase in demand, and is also part of the responsibility which the industry accepts.”

Johannesburg-based PPC started the cement industry in SA in 1890. More recently, it took its turn with a planned R300m investment in Dwaalboom Cement Works in the north-western Transvaal.

Dwaalboom is currently “mothballed” because of the recession, and stage two has been held in abeyance.

Nevertheless Hollmann is optimistic about market growth — particularly in view of the Leletho Highvelds Water Scheme, although he does not expect any really significant benefit to the industry until three to five years’ time.

Anglo-Alpha has produced a slide and documentary presentation putting the cement industry — and the cartel — into perspective.

Spokesmen Rowan Dent said “The marketing arrangements that the cartel introduced years ago have led to questions being asked about our respective and/or collective efficiency, profit margins and pricing.”

“We decided to paint the realistic picture for the benefit of the industry’s consumers and anyone else who is prepared to look at the facts.”

The SA cartel’s marketing arrangements are the rule rather than the exception in other countries, but SA remains one of the world’s cheapest producers.

Australian production stands at around $60/t, SA prices are about half that.

The US, West Germany, France, Belgium, Italy, New Zealand, Mexico, Spain and Canada are all producing at more expensive levels than SA.

Anglo-Alpha and the other members of the cartel insist they are competitive despite the marketing arrangements.

PPC’s market share is about 45%, Anglo-Alpha’s is 35%, and Blue Circle’s 20%.

Blue Circle’s Peter Kett said there was freedom of entry to any new competitors — “and we are not opposed to fair competition from foreign producers.”

But, he said “The capital cost of setting up a new plant at today’s prices, coupled with the low return on investment, makes it most unlikely that anyone would consider it.”

All three companies presented the import of 200,000 tons of cement by the Spanish and Japanese between August 1984 and August last year inspired by fears of an impending cement shortage.

Japanese

Dent says “The Japanese were selling their cement domestically at $54/ton and the Spanish at $48/ton but landing it in Durban at $77/ton. If that isn’t dumping, then what is?”

Today cement producers face the same problems that were intrinsic from the beginning — the geographical location of the time stone used as the principal raw material and the transport costs involved in moving the final product to distant markets.

Dent says “The nuisance content in the cost of cement is rationalized by the cartel, ensuring that the product is supplied by the nearest producer regardless of which one that may be.”

“If we did not have a cartel, that would not happen and it would be impossible for competition to exist in certain geographical areas because one or other of us would have the advantage of being closer to that particular market.”

Corobrik sees return to clay brick

An order for 9-million clay face and plaster bricks from Corobrik Transvaal for a housing project in Eldorado Park, may be the beginning of a major move back to the clay brick. Corobrik (Tvl) MD Brian Waberski says “The contract proves that the best building materials are still within the reach of the ordinary homeowner and we believe that the clay face brick meets the aspirations of most South Africans who want to own their own homes,” he said.

The order was placed by the Johannesburg Coloured Management Committee to build 564 houses at Eldorado Park.

Donald Mateman, MP for Eldorado Park and a member of the committee says “We have found that many of the materials traditionally used for such housing gave us more headaches in the long run with cracks in the walls and high maintenance and repair costs.”

Four different clay face bricks from the Corobrik range are being used in the project, scheduled for completion before the end of the year.

New projects such as a high school, a primary school, a post office and 120 homes for the elderly are also already in the planning stages and new stands have been set aside for private builders.

Corobrik Transvaal is also involved in the Alandale/Rahue Ridge project near Pretoria with 500 units and a housing scheme for coloureds in Enerdale, near Johannesburg.
A tough year is forecast by Cementation chief

EARNINGS of Cementation Company (Africa) for the year to end September were
hammered by a sharply higher interest bill
and depressed margins in the civil engineering sector.

The 24% earnings fall to 44.8c (88.1c) a share has resulted in a 3c cut in the final
dividend to 14c a share, reducing the total payout for the year from 25c to 22c a share.

Chairman Ron Shaw does not see much improvement in the current financial year
and is forecasting another difficult year.
"We are not yet out of the woods in the civil engineering sector," he said.

Mervyn Harris

Turnover rose from R152.3m to R241.2m
to lift net income before interest and tax
from R7.6m to R13.4m. The rise was reduced
to R7.1m (R5.78m) after the interest bill
soared from R1.86m to R6.28m.

The big jump in the interest bill was attributed by Shaw to financing the other half of
last year's purchase of Gold Fields Cementation Mining, as well as losses in the civil engineering business.

However, the foreign exchange loss was sharply lower at R35 000 (R1.6m). The group has carried forward a deferred
foreign exchange loss of R424 000, the uncovered part of a $6m offshore loan.

Pre-tax income of R67.7m (R41.1m) was reduced to R43.7m (R42.8m) after payment of
R2.35m tax against a tax credit of R162 000 in the previous year.

Bottom-line earnings were further trimmed by a hike in preference dividend
payments to R1.3m (R862 000) arising from the issue of compulsory convertible preference shares in connection with the Gold Fields Cementation Mining deal.

This left attributable income of R3.04m against R3.97m in the previous year.
NATIONAL cement sales continued sliding last month in line with the decline over the previous nine months. Sales for October 1986 fell 3.6% to 628,851 tons, compared with 653,748 tons for October last year.
Sales for the first 10 months of this year were down 4.5% at 5,922-million tons, compared with 6,292-million tons for the same period last year.
But Natal sales firmed 14.7% to 96,280 tons last month, compared with 80,777 tons in October last year.
Natal sales for the 10 months were down 2.2% at 833,891 tons, compared with 914,156 tons for the same period last year.
The only areas where cement sales increased this year were the Cape and Namibia.
Cape sales rose 3.3% for the 10 months of 1986 to 1,434-million tons, compared with 1,383-million tons for the same period last year.
Namibian sales increased 5.7% to 197,824 tons over the 10 months, compared with 181,999 tons for the same period last year.
Building mini-boom good news for Western Cape brick industry

By TOM HOOD, Property Editor

A MINI-BOOM by the building industry has made the Western Cape's largest brickmaker, Corobrik, consider reopening four factories that closed in the recession of the past 18 months.

The company is running at only half capacity but the three factories at Stellenbosch, Koelenhof and Phelanekraal are now working at maximum output, and efficiency and stockpiles have also been reduced significantly, says sales manager Mr Mike Ingram.

"Our order book is strong through to the builders' holidays and we expect it will pick up at the same level when they return in January."

"As soon as we are sure the increased sales trend is sustained in the new year, we will look at opening factories that have been mothballed in the recession."

Opening a factory was an expensive business in terms of cash flow and the company did not want to employ a lot of workers and then lay them off again if demand for bricks fell away.

However, prospects for 1997 looked promising, said Mr Ingram. "The upturn in demand for bricks began in August and has strengthened."

The alterations and additions market was booming, although the home-building market was still relatively depressed.

The new house market in the R40 000 price range was busy but the 120 m² housing market was dead, he added.

Home owners not able to move up in the property market were improving their homes with extensions and paving.

There was also a strong increase in business for the construction of public non-residential buildings such as schools, libraries and university extensions, nurses homes and magistrates courts where many of these projects specified clay bricks.

For some kinds of popular paving bricks there was now "a slight delivery delay" in spite of Corobrik boosting its output to the maximum.

A huge and unexpected demand for paving bricks came as the rest of the building industry was struggling to emerge from the depression.
Raw product accounts for R100m turnover

PILKINGTON, part of Glass SA, is said to be the sole manufacturer of raw glass.

This side of the business accounts for R100m of its turnover. Through Sattler and Amourounite, which manufacture laminated and toughened safety glass respectively, Pilkington earns another R100m including exports.

Exports of raw glass are said to be at a peak, with toughened and laminated, that Pilkington does well on the world market.

Pilkington is concentrating on import replacement to a large degree, putting pressure on the price of its products.

In this regard, Pilkington has recently ventured into tinted glass and has plans to produce a range of high quality tinted glass with a range of new colours for the auto market.

High volume glass manufacturers have been among the success stories and this segment is worth R100m to the company.

Exports of wristbands and saucers to the Middle East are up, and the company has recently sold to the Egyptian government, which is one of the largest importers of glass.

Glass is also less prone to breakage, and is also now selling to the African market, with particular growth in Africa.

Pilkington is also building a new factory in South Africa, which will increase its capacity by 30%.

Glass in automotive applications is growing, with Pilkington supplying to car manufacturers for windshields, sunroofs, and window glass.

MAKERS SET SIGHTS ON EXPORT MARKETS

GLASS manufacturers are all looking to expand their export market. This has been a trend in recent years, with South Africa being one of the largest importers of glass.

Even Simmonds is moving to manufacture glass in South Africa. It recently ordered a sheet glass plant from Romania. The sheet glass from this plant will be used to produce automotive glass, which is in growing demand.

The Simmonds market is estimated to grow by 10% per year, with the automotive market growing at an even faster rate.

Andrew Gillham, chairman of Pilkington, says that in the past few years, Pilkington has been able to increase its market share, and is looking to expand further into the African market.

However, Young does not expect the same growth in the near future, as the market is mature and saturated.

But Glass SA is looking to expand its market in the Middle East and Africa, with plans to open new plants in these regions.

GLAZIERS are facing another bad year, with many operations going broke.

There has also been a fall-off in laminated glass orders.

Tom Hewitt, partner in Glaze and Mount, says that the market is currently down 20%.

He says that there has been a large volume of orders for glass from the USA and Mexico, which has pulled down the price of glass.

Glass is also more expensive, and is now selling for around R200/m².

However, Hewitt has seen a trend towards smaller orders, with more custom orders being placed.

Pilkington is manufacturing new glass plants, and is also looking to expand its market in the Middle East and Africa.

With the increase in demand for glass, Pilkington is looking to expand its market in these regions.

However, Hewitt says that the market is uncertain, and that prices are unpredictable.

But Glass SA is looking to increase its market in the Middle East and Africa, with plans to open new plants in these regions.

However, Young does not expect the same growth in the near future, as the market is mature and saturated.

But Glass SA is looking to expand its market in the Middle East and Africa, with plans to open new plants in these regions.

However, Young does not expect the same growth in the near future, as the market is mature and saturated.
Most glaziers need a merchant to succeed

BEHIND most successful glaziers there is the glass merchant

The merchant provides the back-up which the glazier, because of the size of his operation, may not be able to afford. Many facets of the glass industry are service-related. A customer may call a glazier to replace a window. While there, the customer might ask the glazier to quote on a large oval mirror for the lounge.

Frequently, the glazier does not have the facilities to cut the mirror to the required shape and to bevel and finish the edges. The glazier will quote, and if the order is confirmed, approach the glass merchant. The merchant will cut the mirror and finish the edges. The glazier will then fit the mirror on the customer’s premises. Without this back-up, the glazier would have lost an order.

Besides providing a range of services to glaziers, glass merchants also carry large stocks of glass. Stock values can be anything from R50,000 up, depending on the merchant’s size.

The merchant would carry a full range of clear flat glass and patterned glass in stock.

Andrew Gillingham

sizes and thicknesses. Imported glass such as bronze and grey-tinted glass, patterned and wired glass, would also be in stock, but not at the same levels as a locally-produced product. Usually, a merchant would also carry a full range of toughened and laminated safety glass as well as solar control glass.

PG Glass ensures its smaller branches carry basic bread-and-butter ranges. For additional requirements, the regional centres carry the full range and service the smaller branches on demand. PG stores service not only their glazier customers, but also their own internal requirements for the area.

The glass merchant also supplies the furniture industry. With the apparent pick-up in consumer spending, there is an ever-increasing demand for glass within the furniture industry, where it is used for table tops, cabinet doors and other applications.

Glass furniture, products made entirely from glass, is likely to remain an expensive imported product as the demand for the particular glasses is small on the SA market. Making local manufacture impractical. Such products are not only usually made from tinted glass, but are also of very thick glass.

The value of the glass merchandising business is estimated to be R400m, but experts warn that this figure may include a degree of double counting.

Africa Glass has found that demand has remained stable in the industry, but operations have been severely curtailed. Like many SA companies, Africa Glass is hoping there will be a mini-boom next year.

With sanctions, there are hopes that there will be increasing activity in import replacement and, consequently, more construction. The merchant is tied very closely to the contracting side of the glass industry and more construction will mean more business for him.

Merchants say the increase in low-cost housing has created a demand in the last year.

10 000 hurt by door, window glass a year

Each year 10 000 people are injured in SA in accidents involving ordinary glass in windows and doors.

Over half these accidents involve children and frequently result in permanent disfigurement. Ordinary glass is brittle and virtually all injuries could be avoided if safety glass was used instead of ordinary glass.

The National Safety Glazing Council of SA has recommended to the SABS that only approved safety glass be used in defined hazard areas.

Areas defined as hazards are:

- Any glass within 800mm of finished floor level, fitted in doors, whether sliding or hinged, glass installed within 1m of the side of any door, glass partitions or screens below a height of 800mm, any glass in bath or shower enclosures, glass ballustrades or balconies.

Safety glass is available in two types:

- Toughened glass has five to seven times the strength of ordinary glass and when it shatters, it does so in small pieces so it does not cause serious injury.

Laminated glass is the other alternative and consists of a transparent vinyl inter-layer sandwiched between two sheets of glass. Should a sheet of laminated glass be broken, the inter-layer holds the glass sheet in one piece thus preventing injury.

Hardglass is one of the manufacturers of toughened safety glass and has a turnover of more than R16m/year. Armorlite (part of Glass SA) is SA’s other toughened glass manufacturer and each has the ability to make all SA’s needs in toughened glass.

The company has set an export target of R250,000/month in the next two to three years. Toughening glass is an expensive business, but SA manufacturers seem able to produce competitively priced products for the world market.

“Pilkington allows us a 30% discount on the raw flat glass price for toughened glass that we are exporting. With the rand’s value we can be very competitive on world markets,” notes Kees Cleaton, Hardglass’s MD.

New products guide

Hardglass’s double-glazing method

Hardglass has been given the SA franchise for the Tremco double-glazing strip.

Unlike traditional double-glazing frames, the Tremco system is flexible, which means windows of any shape are easily double-glazed, says the company.

The butyl extrusion of a thermoplastic compound contains a blend of desiccant materials for removing moisture from the space between the two pieces of glass. A sealed aluminium strip is also contained in the extruded tape and acts as the spacer.

Consol’s tinted glassware Consol recently launched a range of tinted glass tea and dinner services. The sets are in a range of colours such as pink, and are still transparent.

PG Showermate PG is catering to the DIY market, with its range of easy-to-fit shower and bath enclosures.

The Tri-matic bath enclosure enables the homeowner to convert his bath into a shower cubicle. PG’s shower cubicles are designed to deal with most spaces available and offer a range of doors. Anodised aluminium frames are available in either silver or bronze finishes. Glazing is in either clear or bronze tint.

Trans Natal logo Trans Natal will supply companies with glassware which has the particular company’s logo on it.

This is in addition to the hand-cut crystal, which the company makes locally.

Crystal may be cut to a special design for corporate customers.
2-day strike at PG Glass factory ends

Labour Reporter

PRODUCTION resumed at the PG Glass plant in Epping today when workers ended their two-day strike.

Negotiations between management and the Chemical Workers Industrial Union, representing the striking workers, will continue.

Union spokesmen and Mr Bert Peters, managing director of PG Glass, coastal, said it had been agreed to reopen negotiations, which deadlocked last Friday on wages, if employees went back to work.

The union demands that the R2.30 an hour minimum for weekly paid workers be increased to about R3.50. Management's "final" offer was a 25-cent increase in January and a 15-cent increase in June.

An offer to monthly paid employees was also rejected.

Union spokesmen said the company had postponed negotiations in Durban and Port Elizabeth this week to concentrate on settling the Cape dispute.
Merger giant dominates R700m/year industry

THE merger between SA's sole flat glass manufacturer, Pilkington, and PG Glass has produced glass giant, Glass SA, which dominates the R700m glass industry.

This has created a situation where the supplier, Glass SA's Pilkington, is in direct competition with its customers via PG Glass. Independent glass manufacturers are continually questioning whether this is desirable.

They ask whether they are quoting the same prices from Pilkington as PG Glass receives and they wonder whether they are getting the same level of service.

At the same time, nobody within the industry is prepared to offer any hard facts to support these queries. Industry sources seem too inclined to offer examples where they have done well out of the arrangement. Tom Hewitt, a partner in Blakes Glass, tells of winning a contract with PG Glass's construction arm, against competition from PG's own construction glass division.

Pilkington's chairman Brian Young says: "We deal with everyone, including PG Glass, on an arm's length basis. Everyone is treated the same on price and supply. I don't believe we have ever let anyone down. We manufacture on the basis of a cycle, because of the wide range of product we offer. As a result, we carry large stocks, but customers have to work within that cycle and most of them do."

Young said the merger was originally undertaken as a defensive measure. PG Glass was Pilkington's biggest customer and Pilkington was PG's sole source of local supply. Both companies were worried about the possible effect of disruptions to the relationship which existed at the time. The merger was approved by the Competition Board.

As a result of the dominance of Glass SA in the market, Young believes the new company has to be more careful to stick to its policy of dealing with everyone on the same footing.

Representing the interests of the flat glass industry is the Flat Glass Association (FGA). The FGA is the umbrella association for five sectors within the glass industry. Glass merchants buy glass in large quantities, predominantly from Pilkington, and then supply the glazing and furniture industry.

There is also a semi-manufacturing sector which either toughens or laminates glass.

The third category of member is the glazing contractor who deals with the installation of glass in new buildings, as well as glass replacement within existing homes and offices.

The motor glass replacement industry is the fourth category and the last is the applied window film industry. With the association representing so many interests, there has been some conflict and a diffusion of effort.

Brian Tanner, executive director of the FGA, says in the near future, the association will split into five separate entities and will then be able to provide better representation for members. Tanner hopes that as a result more firms will be encouraged to join their respective associations and therefore will wield more clout when talking to government about the industry's needs.

Edited by

MELANIE SERGEANT

ANDREW GILLINGHAM

A look into vehicle windscreens

Competition is fierce, and rapid service the key in the glass business. With a view to the future, the glass dealers always aim to please customers who no longer have a clear view of things. Some even wind up their operations to the extent that they offer to fit windscreens to cars half a century old.

Service. Customers need glass replacement seven days a week, 365 days of the year.

"It is not easy for people working in the industry, and finding the right managers who can cope with the demands of this very personal business is not easy," says a member of one of the largest glass businesses.

The automatic window repair business is often an emergency service. Customers need glass replacement seven days a week, 365 days of the year.

"It is not easy for people working in the industry, and finding the right managers who can cope with the demands of this very personal business is not easy," says a member of one of the largest glass businesses.

The automatic window repair business is often an emergency service. Customers need glass replacement seven days a week, 365 days of the year.

"It is not easy for people working in the industry, and finding the right managers who can cope with the demands of this very personal business is not easy," says a member of one of the largest glass businesses.

The automatic window repair business is often an emergency service. Customers need glass replacement seven days a week, 365 days of the year.

"It is not easy for people working in the industry, and finding the right managers who can cope with the demands of this very personal business is not easy," says a member of one of the largest glass businesses.
End of PG Glass strike

A TWO-DAY strike at the Epping PG Glass plant ended yesterday when workers and management agreed that negotiations would be re-opened if the strikers returned to work. About 200 employees, all members of the Chemical Workers' Industrial Union — an affiliate of the Congress of South African Trade Unions (Cosatu), decided on Monday to down tools after wage negotiations ended in deadlock last Friday.
Plate Glass shines at half-year mark

By Peter Farley
Investment Editor

The Plate Glass group turned in a sparkling performance in the six months to end-September, with a 50 percent increase in earnings and a 20 percent rise in the interim dividend.

And, unlike many industrial groups which saw earnings plummet in the first half of last year, PG was only slightly down at the previous interim stage, meaning that a large part of this rise was real growth.

Joint chairman Mr Ronnie Lubner told The Star there had been steady improvements across the board — both in the local operations and in the multitude of international investments within the group's portfolio.

However, it is the group's offshore interests which now appear to be coming into their own. Mr Lubner estimates that virtually half of the first six months' profits were derived from this source, compared with only 40 percent at this point last year.

Currency distortions

And this time around there is not the massive currency distortion that has swopped foreign income in previous years, with the rand little changed at the half year against a basket of international currencies.

The best improvement on the local front was in PG Wood Industries — run by the other joint chairman Mr Bertie Lubner, where more buoyant market conditions combined with rationalisation measures to bolster the bottom line.

As part of the strengthening of the wood side various divisions were merged with those of Afcol and Mondi to form PG Bison, in which PG now has a 50 percent stake.

As a result, the accounts of these subsidiaries have been de-consolidated and the profits of the larger group included on an equity accounted basis. This was one of the major factors behind the slower growth in turnover of eight percent and the sole reason behind the leap in associate company income to R4,4 million from R1,7 million.

On the glass side, the group continues to derive benefits in SA from the consolidated Glass SA venture with Pilkington, with margins getting a particular boost after last year's takeover of the Wesglas windshield operations.

Of the half year's R335 million only some R350 million was derived from the local market. But, with a growing export component in that total — currently only about 10 percent — margins are constantly improving. This should help keep a profit balance between the local and overseas operations in the short term, despite the latter's potentially larger volume of growth.

In the longer term, however, the offshores growth looks likely to accelerate ahead of what can be achieved in South Africa.

For the record the interim dividend has been lifted to 42c from 35c, on the back of earnings up to 133,5c from 88,4c.

On the balance sheet side the group is still conservatively borrowed, with gearing down to around 40 percent, while lower finance charges and an improved performance at the operating level saw interest cover jump to more than six times from under four a year ago.

Mr Lubner said prospects were good for continued growth in earnings for the balance of the year, but pointed out that full-year growth was unlikely to match the first half after a strong run in the second half of last year.

Share price

Nevertheless, investors should now be ready to push the share price solidly through the R30 mark — it has only crept up from R24 at the beginning of the year. The share is well above the R13 seen at the beginning of 1985, but the group's new proven ability to smooth earnings through its foreign portfolio, combined with the bounce-back potential in the local market should be the signal for a resurgence of solid growth.

Assuming the full year dividend is increased by 20 percent — and it could be more — the forward dividend yield moves out to 4.2 percent from the current 3.5 percent. This suggests the share price should at least advance by another 50c — or 16 percent — in the next couple of months.
Brick industry troubled

By Frank Jeans

The brick industry faces more factory closures and unemployment unless there is a speed-up in the amount of land made available to the building industry — particularly in the low-income housing area.

This warning comes from the president of the Brick Development Association of South Africa, Dr Benoni van Graan, who urges the Government to act now to stimulate brick making.

"Members of the BDA report that more than 1 000 houses in Natal, at least 600 on the West Rand and 400

in the Cape are being taken up because of delay in land availability," he says.

Dr Van Graan says the brick industry was operating on low margins while costs were escalating due to non-use of production capacity.

"Never before, have we had such an imbalance between the resources for building which are lying idle on the one hand and the urgent demand for housing on the other.

"My plea to the Government is to cut the red tape and bureaucratic roadblocks and provide the much-needed land."
Cement industry operating well below capacity

The ambitious engineering projects announced by the government in recent months will necessary have any appreciable early effect on cement sales.

The Highlands Water Scheme, which will divert rivers rising in Lesotho through a series of dams and tunnels to South Africa's rivers, and the Mossel Bay offshore gas project, will provide some demand for cement. However, that demand will be spread over more years than the producers believe that all of their vast potential will be utilized.

Moth-balled

As Mr. Coulson sees it, a general economic recovery which revives construction on a broad front is needed to lift cement demand to a level at which the producers could return large parts of the constrained capacity to production. But, that he believes, will certainly not happen in the next 12 to 24 months. Mr. Coulson's views are echoed by Mr. Pretorius, who puts the R4 billion Highlands and the R4 billion Mossel Bay schemes into perspective. Each of them is budgeted at less than 500 megawatts.

The Highlands scheme will start only two or three years from now, and first-phase construction will be spread over seven years. Industry executives agree that no further expansion of capacity will be planned until animal production reaches at least 8 million.

The industry has 26 kilns available for production of which 20, representing 80 percent of total capacity, are dry process and the remainder wet process. The average age of the dry kilns is 11 years.

The recession has made the industry far more cautious than before. It is waiting for a real recovery in the construction industry and certainly over long-term projects, such as road construction, before committing itself to new plant.

The last round of expansion, which culminated with Dwalalambo's immediate mothballing, was planned back in 1987. Also, the companies were predicting that the world recession would pass South Africa by, that the cement producers were exporting to pre-Khomeni Iran and the local construction industry was expecting a boom in house building for black South Africans.

Gold's decline and the Government's ill-fated anti-inflationary austerity measures killed confidence. Now attention is focused on Blue Circle.

Its British parent has already put its Australian affiliate up for sale and seems likely to follow suit by divesting from South Africa. Gencor and its subsidiaries have options over the British parent's South Africa shareholding.
MANUFACTURING - NON-METALLIC MIN PRODUCTS

1987

JAN - NOVEMBER DEC.
Costly questions for the cement cartel

The building and construction industries are going through the deepest recession since World War 2. Unemployment is increasing and building plant have been shelved. For many, home ownership is still too costly.

Yet major cement producers have not suffered. The cement cartel has obtained significant price increases, designed mainly to finance their vast infrastructure. Local prices are so high that despite a weak rand and surplus plant capacity, they cannot export.

Have cement producers contributed to the building slump, and wouldn’t they have done better to reduce prices and so increase sales volumes? This would have meant greater plant utilisation and a fairer spread of overheads, and averted such large price increases.

Pretoria Portland Cement’s 1986 annual report supports my argument. This group could produce 5.2 million tons of cement and 2.2 million tons of lime — respectively about 46 and 65 percent of SA requirements.

During the last three years, the height of the recession, highest turnovers were achieved — R349 million in 1984, R226 million in 1985 and R407 million in 1986. Net income before tax was also the highest at R115 million in 1984, R94 million in 1985 and R90 million in 1986.

Not once in this decade was net income after tax less than R35 million. While 1986’s R41.8 million after-tax income was the lowest since 1982, the retained income remaining after dividends (in fact increased at R24.9 million (1985 R21.3 million).

While earnings per share in 1986 were R2.66 down on 1985’s R3.60, dividends per share increased from 43 cents to 47 cents. Dividends have doubled since 1980’s 23.5 cents. Admittedly dividend cover has declined to 2.5 times (1980 four times).

Chairman Mr G H Buttermen was satisfied with 1986’s results. He expects difficult conditions in 1987, with slightly reduced cement sales despite the forecast upturn. Cement roads, planned, Escom power stations, low-cost housing, the Lees Highfield water scheme and Mossel Bay offshore oil projects will help.

Lime sales (25 percent of group turnover) have been adversely affected by the decline in the uranium market. But 1987 will equal 1986’s volumes. At end December 1986, the R51.7 million convertible debentures qualified for conversion to ordinary shares. If all convert, shares in issue will increase by 4 million to 39.9 million. Earnings per share and dividends for 1987 will equal 1986’s based on the increased number of shares, forecasts Mr Buttermen.

Plant utilisation is poor. Suggesting that the R250 million expansion at the Dwaalboom cement factory was ill-advised. In 1986 the cement division sold 2.92 tons (1985 3.1 tons) giving a plant utilisation of 56 percent (1985 65 percent).

Cost increases — coal 20 percent, railage 28 percent and electric power 17 percent — were partially compensated with selling price increases.


High cost of transport from factories to the ports is given as the reason for the lack of exports. But isn’t it that SA prices are simply too high.

The lime division sold only 1.18 million tons (1985 1.24 million tons) — a 54 percent (1985 56 percent) plant utilisation. In both divisions, capex cost R4.9 million and helped total borrowings increase to R97 million (1985 R81.3 million). Interest of R12.4 million (1985 R8.9 million) was paid, but with most capitalised to fixed assets the income statement had only to bear R4.8 million (1985 R765 000).

While shareholders’ interest grew to R342 million (1985 R317 million), working capital improved substantially, with net assets totalling R41.6 million (1985 R14.8 million). This includes cash resources of R24 million replacing 1985’s R9.4 million overdraft.

Debenture holders who opted to convert 50 shares at an effective price of R8 per share against the current JSE price of R13.75 must be smiling along with other ordinary shareholders.

Cement producers have priced themselves out of the market. The price controller needs to look more closely at the next price increase application as there are other options open to improving profitability.

If the building societies and banks can reduce home loans interest how about a similar gesture from the cement industry? It’s long overdue.
**BUILDING TRADE**

**Breakthrough for bricks**

If the performance of leading brickmaker, Corobrik, is any guide, the building industry is definitely on the mend.

This month the company will re-open three of its western Cape factories to cope with an increasing demand for pavers and face bricks.

And, says Keith Nurcombe, national marketing manager of parent company, Toncoro, Corobrik is also currently looking at re-opening factories in other regions.

Justification for the factory re-openings, says Nurcombe, has been found in last year’s sales figures. Countrywide, sales by volume were up some 7%-8% on 1985.

Corobrik, says Nurcombe, is satisfied that the current level of demand is no “Flash in the pan,” but signals a reversal in the 18-month downturn in the building industry nationwide.

The company has been well prepared for better times because factories mothballed over the past few years have been well maintained to ensure a quick response to increased demand.

Nurcombe believes that by the time final figures for the year are tallied, sales by volume could be as much as 10%-11% up on 1985.

“And we expect 1987 to be quite a bit up on 1986,” he adds, “so we are hopefully looking at two recovery years in succession.”

“The figures are similar all over the country, except in the eastern Cape where circumstances fairly unique to the region, such as above average unemployment and social unrest — have influenced the situation,” he says.

He sees one of the reasons for the upturn as a greater concentration throughout the country on low income housing and schools and technikons for all race groups.

The private sector is playing the dominant role except in the eastern Cape, where the public sector is more active.

He says in the Transvaal an increase in the market is split between many more brickmakers than in other regions, so the benefits in sales per brickmaker will not be as marked.

“But the trend gives us a lot of hope. We are certainly feeling a bit more optimistic than we have for some time,” he says.

Just before builders went on their Christmas holidays, some were reporting delays of six to eight weeks in the delivery of certain types of face bricks and pavers. Nurcombe confirms there have been delays — although he points out that the shortages were for particular types of bricks. And re-opening factories will not necessarily relieve those specific shortages.

Of the factories to be re-opened, says Nurcombe, one was put back at the end of the year and the others are due to go back into production shortly.

The decision to re-open the factories, which have been closed for a year, followed careful research, he says.

“We are satisfied that there is a steady and growing demand for bricks in the western Cape and that it indicates a general upturn in regional activity.”

Nurcombe says the planned Blue Downs housing development near Kauls River is a particularly exciting stimulant for the industry. There is also an increasing demand for bricks in the southern Cape, particularly in George and Mossel Bay.

Overall “the prognosis for the western Cape is happier than it has been for some time.”

---

**SHOPPING CENTRES**

The show goes on

The first three priorities for successful income-producing properties may still be location, location and location. But the story certainly does not end there.

For example, as far as shopping centres are concerned, any developer will tell you that tenant mix, good management, dynamic promotion and good old fashioned “atmosphere” are essential back-up, whether the centre is well located or not. Essentially, a centre is as good as the people who trade in it.

A bit of razzle does no harm either and live entertainment is becoming as important to the success formula as parking and sales promotion.

Retail International cottoned on to that long time ago and the new 33 000 m² centre it is developing in Pinetown for Sanlam Properties (Property December 19), for example, the “entertainment factor” will be a priority.

It is all good for business, of course, because experience has shown that traders do not mind paying a premium, including higher basic escalations or turnover-related rentals, as long as there is a concomitant spin-off on the level of activity.

And developers are keeping this growing need for sophistication in mind in the new generation of shopping centres which continue to open regularly despite the generally unflattering state of the retail sector.

There are thus several new names on the FNA’s list of largest shopping centres this year, including the Workbop in Durban (converted from the old railways workshops) and Alberton City Liberty Life, through Rapp & Mårter, remains the biggest shopping centre developer in the country with four centres (owned and partly owned) in the first 15. These, of course, include Sandton City and Eastgate, which run neck-and-neck at the top of the heap.

Tenants clearly have different priorities in their quest for profits. To Van Niekirk Heyns, owner of two franchised Kardies op-

---

FINANCIAL MAIL. JANUARY 9 1987
Antony Robinson of The London Financial Times talks to Albert Koopman about the role of black workers at one of South Africa's leading builders' suppliers.

Koopman, a restless, inquisitive character with an eclectic appetite for информации from sources as diverse as Marx and Sartre to Alvin Toffler's 'Future Shock' and South Africa's 'Small is Beautiful', first set out to question his white managers in his company's poorly paid and unqualified labour force for being, he found, uninterested, uninterested, unproductive.

When he probed further into the perceptions of his own management style the response was 'Pompous, egotistical, dictatorial and rigid.'

On reflection, Koopman recognized that these were precisely the kind of attributes inherited by the system under which most whites are educated and brought up in SA.

But what concerned Koopman after this sobering experience was the thought that, if his white colleagues thought like that, what was the attitude of his black workers? One of them even asked black workers on his systematic tour of the then 16 branches: 'How are we doing?'

The standard reply went something like this: 'I don't have a damn round on Friday. Two men carry a box next to me and I don't eat out of that box.' It was a perfect description of how it happened, but revealed total ignorance of the way in which that money was spent.

Koopman realized that what he had to do was to restore pride in the company's income without losing sight of the employees' work, and that the rewards were to be found in the employees' understanding of their work and in the work of the company and the purpose of the company and the pursuit of work and a subservient, enquiring mindset, Customs, co-operative labour, and attendance, for example, at animal husbandry courses.

Increasingly, Koopman got invited to the homes of his black workers.

'I have eaten donkey meat with golden cutlery brought out for the occasion and the best wine with people sleeping on the floor. It is important to know how your workers live.'

He also recalls the day when one of the most militant union members questioned him:

"After 100 years of white oppression why should white businessmen help black people?" he asked.

At that point Koopman recalled: 'I took off my jacket and tie, lay on the floor and told him, the floor. All over me told him there was no way we could run a white company. I was going to be held responsible for 300 years of history all the time.'

The unloved, totally nappoised, stepped back. The man, Kasper Sibiya, was a former president of the local company members. He has left the union and is no longer on the board as expected to take over as manager within the next year. The morale of the workers and the influence is now radically diminished.

This breakthrough on the personal level was matched on a company level 12 months later when Koopman called the company's "very white" group of employees, including the 'presidents' and the other heads of their branches, to decide the whole concept of representative democracy as embodied in the "presidents".

They also rejected the concept of the "presidents" and decided that what they wanted was participative democracy.

Koopman was quite satisfied with how he got the company to the point.

With 15% of the labour force black he was, of course, the only limitation on choices in that work was given the responsibility to decide the two areas - marketing and operations.

"We did not set out with the aim of black advancement but of making employees respectable and with us but we have actually created a culture where everyone shares the management of the company," Koopman claims, backing up his boast by posting in the Sisala news them, the 31% by 31% black board of management positions.

Watching the company, which is well placed to take advantage of the black empowerment in the black urbanisation over the next decade, has checked up on an impressive profit record.

Koopman says: "We now have a strong board of management. "For the next year much of the time was spent on 'tea and coffee issues' and demands for more time off for shopping to attend funerals, and so on." In the meantime, Koopman was seeking through direct contacts to get, among a "shocking" concept of the company - through diagrams, for example, which put the company vertically and horizontally, the ideal structure and strained the legitimacy of the management team and teamwork.

"We hit the wall. We had to define the purpose of the game and then draw up rules of the game."
Everite boosts interim to 17c

A slight rise in the interest bill to R1,16m (R1,1m) was offset by a rise in income from investments to R680 000 (R550 000). The tax bill rose by just under R1m to R6,6m, leaving attributable income of R6,6m (R2,4m).

The figures are once again conservatively estimated because they are arrived at after deducting depreciation based on replacement costs, which is significantly higher than on a historical cost basis.

The sound balance sheet also shows a decline in long-term liabilities to R7,3m from R10,4m at the end of last June. Although there has been an increase in interest-bearing debt, gearing remains low.
Keith Nurcombe does not discount the fact that the fierce competition does have some bearing on the company’s pricing policy in the Transvaal. But he stresses emphatically that it is certainly not the sole underlying cause.

That accepted, having to pay around R1 300 more for the 20 000 bricks that go into building a standard three-bedroomed bungalow does not make life easier for builders in Natal who are struggling to maintain reasonable margins.

The latest 4.9% price increase means common bricks now retail at R189.13/1 000 within the factories’ first delivery zone in Natal. In the Transvaal, after the January 1 price increase, the identical bricks sell at R124.42/1 000. In addition, discounts are negotiable with Corobrik Transvaal depending on the size of the contract, whereas the best discount available from Corobrik Natal is pegged at 7.5%.

Heightening the disparities is the fact that common clay bricks available from other reputable suppliers in the Transvaal are known to retail for as little as R115/1 000—R74.13 cheaper than in Natal. Cement bricks can be sourced at R95/1 000 in the Transvaal against R177.60 in Natal—a difference of R82.60.

While a few thousand rand on the total cost of a house might not seem all that untoward, builders maintain that it could be the critical factor between “staying in business and closing up shop.”

The problem is that price differentials in building materials supplies between the Transvaal and the coast do not only pertain to bricks. Virtually every input in building a new home is affected. One Natal home builder estimates that if site preparation in Natal’s hilly countryside is taken into account, the cost differences could amount to as much as R6 000 a house.

Where it becomes nettlesome to the builder, though, is in trying to squeeze the contract price for a first-time home owner below R40 000 to allow him to qualify for a government subsidy. Operated through building societies, the scheme enables government to pick up one third of the client’s bond repayments—provided he is a first-time owner and that the cost of his home is less than R40 000.

By conservative estimate, builders reckon subsidised first-time buyers currently represent around 60% of their market. But with cost escalations and the low qualifying ceiling they complain it is becoming increasingly difficult to “shoehorn” buyers into a deal—even one offering only basic accommodation.

An additional complication is that the Bureau for Economic Research at Stellenbosch estimates that building costs will escalate around 18% this year—up from around 10% last year. This serves only to make the R40 000 ceiling even more unrealistic, especially for the high-cost Natal builders.

National Association of Home Builders executive director Johan Grootsus tells the FM he’s aware of the problem and has already lobbied government on the issue. He would like to see the subsidy limit raised to at least R55 000.

Another meeting is being planned with the newly formed National Housing Advisory Council. Hopefully, he says, something positive will emerge.
The cement industry

As one of the country’s cement producers we would like to answer the “Costly Questions for the Cement Cartel” that Mr Michael Menhof posed in his column in The Star (January 6).

In our view responsible journalism required Mr Menhof to have sought answers to his questions first before publishing them as a basis for a number of erroneous assumptions and conclusions, that suggest a less than complete understanding of the cement industry’s operations.

He has suggested that despite the recession in the building and construction industries, the major cement producers have not suffered. Being a low risk industry we admit that cement producers have not suffered to the same extent as others but would like to point out that we do not reap excessive profits, or do as well as high risk industries, in the good times.

Profit means nothing unless it is related to the amount of capital employed. Cement producers, like other industries, have experienced a steady decline in return on investment and our return before interest and tax is 9.5% which is less than the prime lending rate of 12%.

Price increases have been described as significant. In 1986 the cement price index increased by 16% which compares favourably with increases in the following materials:

- Production Price Index: 18.7%
- Building and construction: 17.9%
- Civil engineering: 18.0%
- Coal: 10.4%
- Electricity, gas and water: 32.4%

(Source: Central Statistical Services — 11 months to November 30, 1986)

Our record is even more noteworthy when it is borne in mind that more than 50% of our variable costs of manufacture consist of power and coal, which have increased well in excess of the inflation rate.

We would like to point out that Government price control was lifted in April 1982. Although the industry continues to use the old price control formula as a yardstick, price increases have fallen well short of this level. The industry has recognised that its customers are presently operating under extremely adverse conditions and has tried to act responsibly by keeping price increases to a minimum.

It should be noted that cement is not a price elastic product. It has a derived demand which depends on conditions prevailing in the building and construction sector and indeed the whole economy. It is therefore unlikely that a reduced cement price would result in increased sales volumes.

Export prices have nothing whatever to do with local prices as a producer may export at whatever price he pleases. While there is a worldwide surplus of capacity countries are presently dumping cement at an international price of approximately 30 US dollars per ton f o b. The cost of moving cement alone from our Western Transvaal factory to Durban is 25 US dollars per ton, which obviously makes this business unattractive.

Local cement prices are still competitive with prices prevailing overseas. The following comparison (in US $/per ton) was made in April 1986:

- USA 46
- Australia: 76
- Canada: 58
- Spain: 58
- South Africa: 36

It might be argued that the weak exchange rate has benefited the above results but weak exchange rates are a consequence of high inflation rates. In South Africa local producers have suffered from double digit inflation for 15 years whereas inflation has been brought under control in most of the countries mentioned above.

Criticism is levelled because the industry has too much capacity. We believe we are not the only industry with surplus capacity at the moment and not many people anticipated the extent of the present recession. It must be borne in mind that it takes three years to build and commission new plant.

Our decision to bring capacity on stream in 1982 was therefore made in 1982 at a time when concern was being expressed that the industry was unlikely to cope with future demand.

We trust we have answered the questions posed in your article in sufficient detail to allow a fairer assessment to be made of the cement industry.

R F C SEARLE, Deputy Managing Director, Anglo-Alpha.
Blue Circle records R16m earnings surge

Financial Staff
ALTHOUGH the building and construction industry has not yet recovered from the recession, Blue Circle has lifted earnings for 1986 to R20m compared with R4m the previous year.

A dividend of 38.5c a share has been declared, covered 1.9 times. The last dividend to be paid was an interim of 11c a share in 1985.

The directors explain that the improvement has been achieved as a result of increased efficiency and reduced borrowings and interest charges.

There was only a marginal increase in turnover, sales volumes were lower than the previous year, selling price increases were below the inflation rate and were in any case implemented only in the second half of the year.

But net borrowings were reduced from R162m to R144m. Operating margins rose from 10.0% to 13.8% on turnover.

The tax bill for the group continued to relate only to certain tax-paying subsidiaries. Deferred allowances and assessed tax losses had the effect of eliminating tax charges for the holding company itself.
Cement faces gloomy year

By Don Robertson and Ruth Golembo

THE delay in the start of low-cost housing schemes has put a dampener on the 1987 prospects for the cement industry.

Major cement producers expect sales to rise by only 1% to 3% this year, the lack of volumes exerting increased pressure on costs. Cement sales last year dipped to 7.5-million tons from 7.8-million tons in 1985. Forecast sales are 8.6-million tons this year.

Sales this year began at a lower rate than at the same time in 1986, says David Bath, managing director of Blue Circle Cement, but he expects a recovery in the second half.

Price rises

The money for low-cost housing has not yet been spent, and when it does arrive it will not be the industry's salvation, he says.

"But the expected increase in the use of cement for roads, will boost the cement industry."

Mr Bath says coal prices increased by 20% last year, and electricity, gas and water rose by 30%.

"We were able to absorb some costs last year and keep price rises below the inflation rate, but we will have a hard job repeating the performance this year."

He expects cement prices to rise between April and June this year and hopes they can be kept below the inflation rate.

He forecasts sales increases of 3% next year and 5% in 1989.

Blue Circle

Blue Circle's results for the year to December 1986 show a remarkable recovery in profits.

In the turnaround earnings a share soared from 14.7c in 1985 to 72.6c, the results of a sleeker operation trimmed through staff retrenchments and by mothballing certain operations.

Blue Circle financial director Angus Morrison says only two of the six kilns at the Lichtenburg plant are operating. Some other ready-mix and quarrying operations have also been mothballed until demand for cement improves.

Mr Morrison says activity in the building industry is expected to remain low although projects like the Highlands water scheme will increase demand for cement, they will have little impact on the industry in the present year.

He says earnings in 1987 should benefit from the trimmer operation.

Anglo-Alpha

Johan Pretorius, managing director of Anglo-Alpha, forecasts an industry increase in sales of about 5% this year.

He says the delay in implementing low-cost housing schemes will dampen prospects of increased cement sales. Little demand is expected from the Mossel Bay gas project.

"Even with greater acceptance of cement roads by the authorities, no large increase in demand can be expected.

"We expect double-digit increases in price this year."

Anglo-Alpha's results for the year to December 1986 show turnover up by 8% at R345-million and earnings a share about 10% higher at 72c.

PP Cement

Chris Wroggeman, financial director of Pretoria Portland Cement, expects a sales rise of only 1% this year, but is looking for a lift of between 3% and 5% in 1988 as the modest improvement in the economy filters through to the construction sector.

Mr Wroggeman says "Increased sales will probably mean that the multi-million rand Dwaalboom cement plant, which was mothballed before coming into production last year, will not be used for another two to three years."

He expects some improvement in demand as a result of housing schemes and the construction of cement roads, but believes it will be small.

He forecasts price rises at below the inflation rate this year.

PPC's results for the year to September 1986 showed reduced margins. Turnover was 24.8% up at R407-million, but pre-tax income fell from R93-million in 1985 to R89-million in 1986.
Brick plant reopens in PE

A COMPANY which closed its plant in Port Elizabeth almost a year ago has re-opened, providing job for most of the staff it retrenched.

More than 100 jobs have been created as a result of the reopening of the Corobrik clay face brick plant.

At the same time production at the company's Grahamstown plant has been increased by 25%.

The re-commissioning of the Port Elizabeth plant has cost R500,000.

The company's new Eastern Cape branch manager, Mr Dewey Schmidt, said the developments followed a "dramatic turnaround" in the fortunes of the building industry in the Eastern Cape, which until recently had been suffering its worst recession in decades.

"All our market intelligence points to a significant increase in the demand for clay bricks in the future," said Mr Schmidt.

"We have just won an order for more than three million bricks for a project in Graaff-Reinet.

"There is other work in the pipeline.

"Corobrik is most confident about the future of the building industry in the Eastern Cape and we intend to take full advantage of the opportunities that are being offered.

"Since our decision to reopen the Port Elizabeth plant, the go-ahead has also been given for the Mossel Bay oil from gas project. This also presents exciting prospects for us."

Almost 100 weekly paid employees - mostly those who were retrenched when the Corobrik plant closed last year - have been rehired during the past two weeks.

Additional sales, administrative and technical staff have been appointed in the past month to bring the total number of new jobs created to more than 100.

Mr Schmidt said the kiln, capable of manufacturing 12 million bricks a year, would be in full production soon.
**ANGLO ALPHA**

**Strong cash flow**

**Activities:** Industrial company with interest in cement, stone aggregates, sand, lime and limestone products, industrial minerals, paper sacks and ready mixed concrete

**Control:** Holders of Financiere Glans hold 34% of the equity

**Chairman:** P. Byland, managing director J G Pretorius

**Capital structure:** 30,1m 1ords of 50c Market capitalisation: R459m

**Share market:** Price 1525c Yields 9.2% on dividend, 3.9% on earnings, PE ratio, 10.9, cover, 2.3 12-month high, 1550c, low, 900c Trading volume last quarter, 288 014 shares

**Financial:** Year to December

<table>
<thead>
<tr>
<th>Year</th>
<th>'83</th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>26.8</td>
<td>22.3</td>
<td>77.6</td>
<td>86.1</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>183.2</td>
<td>280.5</td>
<td>277.5</td>
<td>203.4</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.84</td>
<td>0.73</td>
<td>0.70</td>
<td>0.40</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0.62</td>
<td>0.46</td>
<td>0.48</td>
<td>0.58</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>8.3</td>
<td>8.5</td>
<td>2.1</td>
<td>2.75</td>
</tr>
<tr>
<td>Debt cover</td>
<td>0.43</td>
<td>0.33</td>
<td>0.21</td>
<td>0.33</td>
</tr>
</tbody>
</table>

**Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>'83</th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>10.3</td>
<td>9.4</td>
<td>7.7</td>
<td>7.6</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>374.5</td>
<td>309.1</td>
<td>320.4</td>
<td>346.6</td>
</tr>
<tr>
<td>Pre-n profit (Rm)</td>
<td>78.6</td>
<td>78.5</td>
<td>84.1</td>
<td>90.5</td>
</tr>
<tr>
<td>Pre-n margin (%)</td>
<td>27.4</td>
<td>28.0</td>
<td>25.3</td>
<td>25.4</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>4</td>
<td>4.4</td>
<td>3.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Current Cost</td>
<td>91.3</td>
<td>93.1</td>
<td>71.4</td>
<td>72.0</td>
</tr>
<tr>
<td>Earnings</td>
<td>125.0</td>
<td>144.6</td>
<td>132.8</td>
<td>142.3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>47</td>
<td>52</td>
<td>52</td>
<td>60</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1332</td>
<td>1423</td>
<td>1741</td>
<td>2250</td>
</tr>
</tbody>
</table>

**Anglo Alpha** increased its turnover, earnings and dividends in the year to end-December despite continuing recession in the building and construction industry. Now with recovery in sight — particularly on the low-cost housing front — the cement producer is forecasting that turnover and earnings will increase in line with the anticipated inflation rate of 16% this year.

What is more, the company has changed its dividend policy to ensure that there is a better balance between payments to shareholders and funds needed to finance expected growth. This means that shareholders, who last year received a total dividend of 60c a share, can expect dividends to increase by at least 16% — or 10c a share.

Chairman Peter Byland says the group has reached a stage where there is ample production capacity — the cement division is currently running at about 60% utilisation — to meet market demand for several years. In addition, no major expansion is planned and capital expenditure is budgeted at a relatively low R115m in current money terms for the next five years, against R25m last year.

With this positive outlook, Anglo Alpha looks a lot more solid than in the previous two years. It has trimmed interest-bearing debt by R83.8m, thereby improving the debt equity ratio to 0.40, compared to 0.73 in 1984 and 0.70 in 1985. While the reduction was outside the group target, Byland says gearing will continue to decline. The reduced borrowings on lower rates contributed to an improvement in interest cover.

Anglo Alpha’s share price has responded to the improved prospects and earlier this week was trading at a high of 1550c, its highest level since 1984. Recent demand for the share has reduced the dividend yield to 3.9%, compared with 3.2% for PPC and 4.3% for Blue Circle.

One question that remains to be answered is how the company will fare if the government disbands the cement producers’ cartel next year. The industry has been given until 1988 to improve the level of competition. If this does not happen, the government has threatened to intervene Byland maintains that if free competition is enforced, Anglo Alpha will at least retain its existing market share.

MD Johan Pretorius says recovery forecasts are based on the belief that there will be a 3% increase in the country's demand for cement this year. Marginal growth is expected in the construction sector, where the R750m set aside by government for low-cost housing is expected to boost activity. It remains unclear as to when benefits from this will be felt by industry.

Byland's medium-term outlook is that product demand will be sustained and possibly improved by projects originating from public consortiums and corporations. Such projects include the Matimba and Majuba power stations and increased fund allocations for road development.

Marginal improvements are also expected from the group's other divisions. However, here economic sanctions, lack of foreign investment and the low level of business confidence are expected to restrict capital investment by both public and private sectors, he says.

Anglo Alpha's cash flow, which increased by more than 20% last year, is expected to rise by the same level this year and should continue to increase significantly over the next five years.

Byland says the group is now well positioned to benefit from any improvements in the economy. In future, he says, the group will seek investment opportunities which may arise as a result of disinvestment and sanctions.

"Many of our plants have surplus capacity," he says. "Efforts over the past years to streamline operations and improve efficiencies should all bear fruit when the business cycle turns." — Cheryl Irwin

**MASONITE**

**Smooth run**

**Activities:** Manufacturer of hardboard, insulation board, cryogenic mineral wool, wood and mineral fibre ceiling panels, decorative wall paneling and forestry developments

**Control:** Masionite Corp of the USA has 67%

**Chairman:** F J Raschenhammer, managing director: Alan Wilson

**Capital structure:** 6.7m 1ords of 50c Market capitalisation: R52.6m

**Share market:** Price 800c Yields 5% on dividend, 11.3% on earnings, PE ratio, 8.9, cover, 2.2 12-month high, 100c, low, 350c. Trading volume last quarter, 82 814 shares

**Financial:** Year to December

<table>
<thead>
<tr>
<th>Year</th>
<th>'83</th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>10</td>
<td>12</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>74.9</td>
<td>74.8</td>
<td>74.9</td>
<td>74.8</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0.65</td>
<td>0.65</td>
<td>0.62</td>
<td>0.63</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Debt cover</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
<td>11.9</td>
</tr>
</tbody>
</table>

**Performance**

<table>
<thead>
<tr>
<th>Year</th>
<th>'83</th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>25.1</td>
<td>22.3</td>
<td>13</td>
<td>16.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>38.4</td>
<td>40.4</td>
<td>67.6</td>
<td>68.8</td>
</tr>
<tr>
<td>Pre-n profit (Rm)</td>
<td>7.9</td>
<td>7.9</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Pre-n margin (%)</td>
<td>20.6</td>
<td>19.6</td>
<td>7.8</td>
<td>12.04</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>5.2</td>
<td>4.8</td>
<td>4.5</td>
<td>6.0</td>
</tr>
<tr>
<td>Earnings</td>
<td>82.4</td>
<td>71.3</td>
<td>67.9</td>
<td>59</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>37</td>
<td>37</td>
<td>31</td>
<td>40</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>310</td>
<td>344</td>
<td>381</td>
<td>430</td>
</tr>
</tbody>
</table>

**Improving conditions** in the local market, rising income from export sales and an ungauged balance sheet helped Masionite to notch up an annualised 51% increase in earnings in the year to end-December. Management makes no specific forecast but expects to increase both domestic sales and earnings again this year if the economy achieves a targeted growth rate of 3%

That suggests that there could still be value in the share, even after its surge last week to R8, which is 86% above net worth. In
Ready to crack?

The Competition Board's crackdown has done much to root out collusion and cartels. But this hasn't stopped many industries from pleading for exemption on the grounds that they are special cases.

Prominent among them is the cement industry, which has been given until May 2, 1988 to introduce an element of greater competition. Producers reckon that they will be in a position to do so. But they are still anxious about the price war that has closed plants and left the country increasingly reliant on imports.

Competition Board director Nic Vermeulen says it's impossible to say what aspects of the cartel will be abandoned. The marketing and distribution ring was allowed to continue, he says, because it produced some benefits. "The total infrastructure of the industry was built around the cartel and it would have been impossible to pull down the marketing structure," he tells the FM.

The industry is controlled by three companies, Pretoria Portland Cement (PPC) with a 45% share of the market, Anglo-Alpha with 35% and Blue Circle with 20%. With all of them producing better financial results, speculation has turned to the future of the cartel.

Surprisingly, members of the Free Market Foundation support the control on distribution. "There's no restriction on entry into the market and there's nothing to prevent imports. If cement prices were being kept artificially high, Anglo American and Iscor, which both have substantial limestone deposits, could enter the market."

SA currently sells cement at about US$40/t, which is a little more than half the price paid in Australia and considerably less than the price demanded by major producers in the US, Spain and Canada. But critics argue that local production costs are a fraction of those of the rest of the world.

The industry says that as distribution is centralised through Cement Distributors (SA) (CDSA), customers can buy cement - although at fixed costs - from the nearest plant. This saves on transport and allows better forecasting of building costs.

The demise of the CDSA would mean that services carried out centrally, such as the computer system, credit management and invoicing, would have to be duplicated by individual companies.

Some major cement consumers, surprisingly, also support the cartel. A spokesman for Murray & Roberts says the cartel has ensured adequate capacity. "We have avoided the position where there has been in the brick industry, for example, where there was short production and shortages."

But, he says, the cartel is open to abuse and only the "good behaviour" of the manufacturers has prevented massive price manipulation.

The critical state of the construction industry has left manufacturers largely unscathed. Anglo-Alpha, Deputy MD Ronnie Searle says there's been a substantial decline in sales of ready-mixed concrete and stone aggregates, but cement has been stable. "We have a wide range of customers and it's unlikely that construction, public works and mining would all collapse at the same time."

He says the cement cartel has turned the industry into a low-risk, low-return enterprise. "This has made us acceptable to investors if we had a price war and went the route of the fertiliser industry then we wouldn't exactly woo the banks."

But, even so, the industry has been overoptimistic on forecasts of demand. It has a potential production of 11.9 Mt but it's now working at 60% capacity.

Further, industry watchers point out that although Blue Circle's earnings per share increased from 14.7c in 1985 to 76.6c in 1986 this is still some way off the 1981 peak of 116.5c.

PPC's 600 000 t Dwarsboom plant, commissioned in June 1985, has been mothballed since completion. Blue Circle opened a 1.1 Mt extension to its Lichtenburg plant in the same month, but it has operated intermittently and four of the six kilns are not being used.

Manufacturers thus argue that the position would be much worse without the cartel. But it seems they will have to come up with more convincing arguments if their cartel is to remain intact. 
Blue Circle foresee higher earnings

Johannesburg — Blue Circle's earnings increase from 14.7c a share in 1985 to 72.6c in 1986 is given added strength by chairman Trevor Coulson's forecast of earnings of at least 100c a share for the coming year, contained in the company's annual report released yesterday.

The group declared an interim dividend in 1985 of 11 cents, passed its 1985 final and its 1986 interim. In July 1986 an indication was given that a final dividend would be paid based on the full year's result.

Low cover justified

A dividend of 38.5 cents has been declared, returning dividend payments to the levels last seen in the years 1981 to 1984. Dividend cover however is a low 1.9 times. The low cover can be justified in relation to the optimistic forecast of earnings for 1987 and the improved balance sheet structure.

Coulson's forecast is based on similar sales volumes for 1987 and selling price increases again below the inflation rate. Plant closure and staff reduction costs incurred during 1985 and 1986 will not recur during 1987.

1985 price increase

The cement division which suffered a severe profit decline in 1985 almost returned to its 1984 profitability. Cost increases experienced during 1985 were only partially passed on to customers in December 1985. This price increase which applied for the whole of 1986 together with the August 1986 price increase added revenue while cost control and production efficiencies further helped the restoration of the division's profitability.

Restructuring of the materials division has resulted in cost reductions which will flow through for the full year in 1987 — Saps
Two price increases helped De Beers to record earnings

By Sven Lunsche

De Beers improved earnings by 11,2 percent to a record R1,15 billion for the year to end-December, but the results were negatively affected by a weak average rand exchange rate over the period.

Worldwide sales by the Central Selling Organisation (CSO) increased by 40 percent to R2,86 billion, but as a result of the recovery of the rand this reflected itself in only a 19 percent rise in the diamond account to R1,36 billion.

Nevertheless, after a number of difficult years De Beers is once again in control of the diamond business and while the exchange rate has not aided the group's results it has certainly contributed to CSO's improved performance.

Analysts said that the major impact on sales came from the two price increases during the year — 7,3% in April and 7% in November — and the fact that the second half saw De Beers sell its higher quality diamonds.

It is generally regarded as De Beers policy to sell low-grade stock, which the group markets for countries like Botswana and the USSR, in the first six months of the financial year.

The diamond stockpile was reduced by only $50 million, but the reduction came once again through the sale of its more profitable locally mined diamonds. In rand terms the stocks were lower by R650 million of which R721 million was attributable to the higher exchange rate.

A company spokesman confirmed that sales of retail diamond jewellery in general and better quality stones in particular showed reasonable growth and that this trend should continue in the year to come.

Further proof of the group's confidence in the market is a record dividend declaration of 80c a share, compared with 55c last year.

De Beers-watchers had predicted a dividend of 75c at the most, but are now optimistic that the diamond market is in for a prosperous 1987, as the group generally takes heed of sales prospect in the year ahead when it declares its final dividend.

Furthermore, De Beers announced that it is re-opening its Koffiefontein diamond mine in the Free State and that it expects the mine to be back in production early in 1988.

"These developments follow the strong recovery in demand for the larger and better quality rough diamonds, for which the mine is renowned," the group said.

Massive increase in Protea profits

Finance Staff

A dramatic cut in short-term underwriting losses for the 12 months to end-December — down to R4,9 million from 1985's R10,2 million — has enabled Protea Assurance to increase attributable profits by 500 percent to R5,1 million.

Commenting on the company's unaudited results, the managing director Tony Crank attributed the reduction in the underwriting loss largely to a good result in the fire account and a significant contribution from the marine division.

The Life division has also achieved a substantially increased contribution of profits.

Earnings per share are up from 10,8c to 84,5c and the directors have declared a final dividend of 17c per share, bringing the total payout to 23c, compared to 18c last year.

Investment income, however, was down from R9,6 million to R9,3 million.
Everite bids R65m for T & N division

JOHANNESBURG. — Everite Limited is to acquire the building products division of Turner and Newall Holdings Ltd (T & N) for R65m.

T & N would be issued ordinary shares in lieu of cash, representing 25% of Everite's enlarged capital.

A holding company, Everite Holdings Limited (Evhold) is to be formed, which after the issue of shares to T & N, would hold 56.2% of Everite's ordinary issued share capital.

Everite would seek the approval of shareholders to form Evhold by way of a three-for-one capitalization issue of additional ordinary shares out of non-distributable reserves. The three additional shares would be exchanged for one Evhold share. Thus, 25% of ordinary shareholder's investment would be in Everite Ltd and 75% in Evhold. — Sapa
By Don Robertson

THE price of bricks will be increased on Wednesday.

But there will be little effect on the cost of homes.

Corobrick, the largest manufacturer, will lift the price of plaster bricks by 9.4% and face bricks by up to 18%. But some face bricks will fall in price.

Brian Moerhead, executive director of the Brick Development Association (BDA), says other manufacturers will be forced to follow Corobrick.

Oversupply

The increase comes when the industry is operating at about 62% of capacity and the market is suffering from lack of demand and oversupply.

Brian Waberski, Transval director of Corobrick, is optimistic about prospects for the year, forecasting a 12% to 13% increase in sales.

He says the decline in sales bottomed out towards the end of last year and there were indications of an improvement in February.

However, the election has caused uncertainty and the building and construction industry is "on hold" until the results are known.

Mr Waberski is confident that the position will improve in June or July and that sales will be higher than in 1986.

Mr Waberski says prices are now the same as in 1984 and 1985 and this has put tremendous pressure on cash flow.

We have had to sharpen our pencils to reduce costs, but we cannot hold prices at present levels.

In the past two years, Corobrick has closed four high-cost factories and mothballed two. Eight are operating at between 50% and 90% of capacity and only four are in full production.

Build-up

Stocks have risen and Corobrick has 10-million bricks, equivalent to three months' demand on hand.

Ideally, we like to have only two months' stock. We have reduced stocks since last year.

Mr Moorehead, says, brick manufacturers are operating at no profit, but he expects sales this year to rise by between 10% and 15%. The higher prices will increase house prices by only 1%, he says.

Last year brick sales were about R50-million, and worth R50-million.
The beleaguered cement industry sees little improvement in its position for the remainder of 1987.

It says that with the building and construction industries traditionally lagging a year or more behind the general economy, no significant increase in demand for cement is expected.

In its review of the industry issued yesterday, the SA Cement Producers’ Association welcomed major developments, including Escom power stations, the Mossel Bay offshore gas project and the Highlands Water Scheme.

It said, however, that these developments needed to be bolstered by an improvement in the general level of capital investment.

The building and construction industries continued to experience the effects of recessionary economic conditions.

“Benefits expected from the cash injected by government for housing had little impact on the activities of these industries by end 1986.”

“However, an improved intake of new work in the civil engineering contracting industry over the latter half of the year has given rise to a slightly better outlook in that industry for 1987.”

Interest rates decreased throughout the year, but the low level of business confidence restricted their positive contribution to the industry.
MICK COLLINS

THE beleaguered cement industry sees little improvement in its position for the remainder of 1987.

It says that with the building and construction industries traditionally lagging a year or more behind the general economy, no significant increase in demand for cement is expected.

In its review of the industry issued yesterday, the SA Cement Producers' Association welcomed major developments, including Escom power stations, the Mossel Bay offshore gas project and the Highlands Water Scheme.

It said, however, that these developments needed to be bolstered by an improvement in the general level of capital investment.

"The building and construction industries continued to experience the effects of recessionary economic conditions.

"Benefits expected from the cash injected by government for housing had little impact on the activities of these industries by end 1986.

"However, an improved intake of new work in the civil engineering contracting industry over the latter half of the year has given rise to a slightly better outlook in that industry for 1987."

Interest rates decreased throughout the year, but the low level of business confidence restricted their positive contribution to the industry.
Spreading wings

When it comes to breaking into new markets, both locally and internationally, SA's glass industry is way out in front.

PG Silvering, part of Glass SA (the company through which PG Shatterprufe and Safety Industries holds all its glass interests) has just opened the most technically advanced mirror silvering plant in the world — and the biggest in the southern hemisphere — at Springs.

The R8m plant will boost both the quality and quantity of mirror produced for the export market, which is to be swelled by 50% to R7,5m a year.

Glass SA joint CE Rod Fehrson says the introduction of the double-coating process would make South African glass competitive with the Japanese product, widely regarded as the best in the world.

"There is an enormous international demand for glass, which we currently export to 14 countries around the world in every continent except Australia. We are competing with Japanese mirrors in the US, and this is where we see major improvements.

"We are now pitching for the top end of the market rather than the 'cheap and nasty' sector."

Glass SA is the sole manufacturer of glass in this country. Others entered the field, but could not stay the course.

Says Fehrson: "We realised we had to make a commitment to supply all of SA's mirror requirements as well as increasing..."

Continued from page 76

Our export sales To date, our market — domestic and export — is sufficient to run the new plant on one 12-hour shift a day, five days a week. About half of our output, which is more than 100 000 m² a month, is exported.

The only threat to the continued growth of the export market is full, formalised sanctions by major Western trading countries. "We had to make a long-term decision on this plant and we took the view that SA would make progress in dealing with its problems. As a South African company we are here to stay. We have no intention of sitting around while our business crumbles.

"We have confidence in the future and we are sufficiently flexible on the export front to handle any sensitive areas we might encounter."

Continued on page 78
Strike continues as Mwasa lowers sights

ABOVE 300 workers at the Consol Glass factory in Bellville yesterday continued striking in support of higher wages as negotiations between their union, the Media Workers' Association of South Africa (Mwasa), and management faltered.

Talks yesterday ended in Mwasa lowering their initial demand for an across-the-board increase from R2.30 an hour to R2.00 and management increasing their offer from 30c to 40c an hour.

Mr. Hennie Stroh, group personnel executive for Consol Glass, said management considered the strike illegal and was not prepared to negotiate until people returned to work.

No deadlines for a return to work had been set in spite of "repeated" appeals to labourers to do so.

He denied a union claim that workers had been "locked out."

"Those who want to work can enter the premises any time," he said.

Mr. Stroh confirmed that the striking workers (75% of the labour force), consisted of quality controllers, machine operators and fork-lift operators.

The strike began about 3pm on Tuesday after a fortnight of talks.

"No dispute exists at the moment. We've agreed to meet again at a date to be mutually agreed upon," Mr. Stroh said.

Workers spoke to outside the factory and they would "hold out till we get a decent living wage."
New synthetic gypsum plant

MICK COLLINS

TWO SA companies have made a breakthrough in the manufacture of synthetic gypsum for use in cement production.

The R5,5m plant situated at Heriotdale, near Johannesburg, has a capacity of 60 000 tons a year. It is to be officially opened today by Deputy Economic Affairs Minister Theo Alant.

A spokesman for joint developers Pretoria Portland Cement (PPC) and Simon Garves Africa says the industrial application is a world first. The entire process, from conception to plant start-up, has taken about 27 months.

PPC group technical manager Dick Mantel says gypsum had previously to be hauled from the northern Cape at considerable expense.

"It takes millions of years to form sizable deposits of gypsum. At the Upington plant the process has been speeded up radically, and the synthetic product almost exactly duplicates that found in nature," Mantel says.

"Advantages of the new process are that transport costs have been dramatically reduced and high-grade gypsum is being manufactured both efficiently and economically," Mantel says.
Cement industry firm while others crumble

WITH all the cement industry's Big Three half-yearly reports in hand, analysts say initial fears the sector is about to crash are largely unfounded.

Focus has again swung off the cartel aspect of the industry as result after result belies economists' fears.

PPC's results to March 31 show that profits rose by 24% to R21,9m (R17,5m) and earnings a share went higher than expected, rising 19% from 48,9c to 56,4c.

Blue Circle performed brilliantly in the first half of 1987, with earnings soaring by more than five times to 64c a share from a low base of 12,3c in the first six months of 1986.

The reading of Anglo-Alphas six-monthly results follows a similar pattern, with the company performing better than forecast.

And all of this was achieved against a background of low business activity with the sector's main contributors - building and construction - operating at an all-time low.

A plan for exemption to the Competition Board brought a temporary respite in that the board gave the industry a time limit - May 2, 1988 - to introduce a greater element of competition to the sector.

Admitting that the industry has not suffered to the same extent as others, its defence is the amount of huge capital employed and the return expected on it.

The return before interest and tax for the industry has been averaging around 9,5%, but this, as most industrialists point out, must be seen in a sector which is considered low risk.

However, analysts say the investment incurred in massive capital projects has given the industry enough surplus capacity to ensure its adequacy for the next 10 years.

"The thing we could see is the destruction of a nice little cartel."

They (the cement producers) will say it makes no difference, but a price war to everybody's advantage could well develop," says one analyst.

A-Al commercial GM Rowan Dent says A-Al will only earn in 1987 what it earned in 1981 "Comparisons, therefore, are off a very low base.

"Since price control was lifted, cement prices have increased by 14,1% per annum, which is in line with the production price index of 13,8% per annum.

"It should also be noted that a certain amount of competition already exists between the producers, with some factories accepting discounted prices in order to attract more business.

"He says although cartels generally create negative impressions, they can offer advantages to consumers as well as producers.

"What we are trying to achieve with the Competition Board is a situation where the positive features of our system are retained and at the same time the customer is given the flexibility he wants".

PPC's Chris Wrogheman says in 1984 PPC operated at 87% of capacity, which represented full utilisation, bearing in mind the 15% "surge factor".

"Capacity was subsequently increased by 16% From 1984 to 1986, cement volumes sold declined by 23,5%, resulting in capacity utilisation in 1986 of 95%.

"Had capacity not been increased, utilisation for 1986 would have been 65%, compared with 87% in 1984. Thus, it is not over-investment in capital projects but the decline in the market which has created the over-capacity situation."

Commenting on the PPC half-year results, Wrogheman says volumes of both cement and lime were slightly up on the previous half-year Sales value and operating profit were up by 17%.

"With increased volumes, profit margins should in theory improve because of the high fixed-cost content of operating costs. Since margins did not improve, this indicates that selling prices increased at a lower rate than that of cost inputs."

In the face of Competition Board investigation, the cement industry has been crying poverty, citing massive capital investments and low returns. But half-yearly results of Pretoria Portland Cement (PPC), Blue Circle and Anglo-Alphas (A-Al) have made critics ask: If the industry can perform as well as it does in bad times, what is its potential in good times? Why has it escaped the ravages of recession, while construction and building have been decimated?
PLATE GLASS

Maintaining momentum

Activities: Engaged in processing and merchandising of glass, timber, board, and aluminium products and manufacture of glass

Control: Placer has 49.68%

Joint Executive Chairmen B Lubner and R Lubner

Capital structure 16,5m 6 1/2% 18m 6 1/2% 50 000 B non-redeemable cum pref of R1 each 5m 8,5% cum redeemable pref of R1 each. 8m variable rate cum red prefs of 1c each. 6,4m B variable rate cum red prefs of 1c each. Market capitalisation R718m

Share market: Price R43 50. Yields 3.3% on dividend. 7 0% on earnings. PE ratio 14.3. cover. 2.1 12-month high 4.075c. low. 2.700c. Trading volume last quarter. 725,000 shares

Financial: Year to March 31

<table>
<thead>
<tr>
<th></th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
<th>'87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>41.5</td>
<td>63.4</td>
<td>85.1</td>
<td>123.0</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>59.9</td>
<td>74.8</td>
<td>98.3</td>
<td>129.0</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.40</td>
<td>0.44</td>
<td>0.80</td>
<td>0.80</td>
</tr>
<tr>
<td>Shareholders interest</td>
<td>0.46</td>
<td>0.47</td>
<td>0.43</td>
<td>0.41</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>1.11</td>
<td>1.10</td>
<td>2.15</td>
<td>3.00</td>
</tr>
<tr>
<td>Debt cover</td>
<td>0.93</td>
<td>0.64</td>
<td>0.50</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Performance

<table>
<thead>
<tr>
<th></th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
<th>'87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>19.4</td>
<td>16.4</td>
<td>12.6</td>
<td>13.5</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>896</td>
<td>1,147</td>
<td>1,569</td>
<td>1,678</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>129.8</td>
<td>127.0</td>
<td>120.2</td>
<td>147.5</td>
</tr>
<tr>
<td>Pre-tax margin (%)</td>
<td>14.4</td>
<td>11.0</td>
<td>7.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>60.7</td>
<td>54.4</td>
<td>51.9</td>
<td>71.9</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>220.2</td>
<td>200.7</td>
<td>202.6</td>
<td>306.0</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>100</td>
<td>105</td>
<td>105</td>
<td>148</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1,211</td>
<td>1,485</td>
<td>1,708</td>
<td>1,931</td>
</tr>
</tbody>
</table>

Plate Glass (PG) turned in an excellent performance last year. Almost all sections of the business achieved significantly better returns, with the result that there has been little change since 1986 in the relative contributions of local and foreign operations, and the glass and wood divisions. Foreign sources account for 52% of earnings but the group is reserved about its foreign operations. Wherever earnings came from, EPS climbed 51%, helped by a lower tax rate, and the dividend was lifted 38%. Earnings in the timber division improved with increased local beneficiation of timber. All South African operations were integrated and a full range of products and services can now be provided.

In the boards section, Bisonboard, laminate, industries and the board activities of PG Wood were joined to form PG Bison, of which PG owns 50%. Apart from rationalisation and increased efficiency, the merger means that more sophisticated products can be produced.

In the glass division, which accounts for 74% of earnings, improved margins have followed the elimination of surpluses in the industry. The group now has 35 factories and 500 outlets on four continents, but the South African connection is a problem. Nevertheless, there has been an aggressive export drive following the absorption of Wesglas.

Pre-interest margins improved after two years of decline, but a disturbing trend is the rise in the ratio of debt to equity, and the deterioration of debt cover. Joint executive chairman Bertie Lubner says this was due to a combination of rising turnover, financing of acquisitions and investment in additional plant and capacity. He also suggests that the capital-intensive nature of the business means that a debt equity ratio of up to 0.75 is acceptable. Return on capital had peaked up, which Lubner attributes to reduced overseas expenditure.

In the coming year, says Lubner, a real increase in earnings is expected, with international operations maintaining their upward trend. On the local scene, there is a better mood, though in the present year no rise in major contracts is expected. Furniture is reasonably buoyant - unusually so for this time of year - and the rise in new car sales should have an important impact. Lubner expects a reduction in debt equity this year, as well as a higher return on assets.

The share price has jumped from R27 to R44 since January, but there seems no reason why it should be given a lower rating than the average for the sector, especially in view of current wide expectations of a declining rand and the fact that the stock has a large rand hedge element. I think there is further upside potential.

Pat Kenney
Slow demand

Anglo-Alpha MD Johan Pretorius says that the group's cement sales bottomed in January-February, but as yet there has been no clear upturn. Until a clear upturn is established, future prospects for the industry must, therefore, remain uncertain. Nevertheless, results for the six months to end-June show that the group has increased earnings ahead of inflation and reduced its debt equity below 100%.

Anticipation of these figures pushed the share price from R1.7 in mid-July to R1.50c this week on small trading volumes, with most shareholders holding on to what is regarded as a good defensive stock.

Chairman Peter Byland, who in February forecast that (based on a 3% economic growth rate) turnover and earnings would increase in line with inflation, now expects
Everite to cut down on use of asbestos

By Teigue Payne

From 1992 Everite, South Africa’s leading maker of asbestos cement products, will replace asbestos with synthetic fibre in all building materials which formerly contained asbestos, except asbestos cement pipes.

Due to negative customer perceptions, Everite’s Swiss parent company, Eternit, a leading world asbestos cement maker, imposed the 1992 deadline in “a message from Hooya” which in essence said that although asbestos is still the best material for the purpose, it must be replaced regardless of cost.

In making this decision for its 30 factories of subsidiaries and associated companies worldwide, Eternit had tacitly conceded that the asbestos-related industry cannot win the debate over the health hazards of asbestos and resurrect the image of the “miracle mineral.”

The decision will not immediately affect South Africa’s main producers, Msauli and Gefco, since Everite obtains most of its supplies from Sawiland and Zimbabwe Msauli and Gefco export most of their production to other customers and can find other clients locally for the small amounts sold to Everite.

Gefco and Msauli say that considerable substitution of asbestos by synthetic fibre has already taken place world-wide, and they believe that the bottom of the market has been reached. They say production cutbacks have brought supply and demand into equilibrium and prices have stopped declining — and in some cases have even risen slightly.

Since most of their production is used in pipes, for which no synthetic fibre substitute is in sight, they feel they will be relatively unscarred if other companies follow Eternit’s strategy.

Nonetheless, moves like that of Eternit must ultimately create more competition and be a psychological blow to the South African companies. In the long term they may only hope that the substitution movement remains “in control.”

The decision does not mean that Everite admits that asbestos is dangerous, as asbestos critics would have it. Everite, like the rest of the asbestos industry, still asserts that, handled correctly, asbestos is safe.

The ability of asbestos to transform brittle cement into a tough, elastic material which could be used for thin-walled modern buildings and pipes, was discovered at the turn of the century.

The mineral’s notoriety stems from the frantic activity associated with preparing ships for military service during the Second World War. Workers had no respiratory protection when ship bulkheads were sprayed with asbestos insulation. After the fibres had become lodged in their lungs for 20 or 30 years, however, there was an outbreak of asbestos-related diseases (ARDS) — asbestosis, lung cancer and mesothelioma.

Initially, asbestos industry executives closed the door on the criticism, taking the attitude that the industry would clean itself up. Since then, at great cost, fibre levels on mines, plants and factories have almost universally been reduced to levels deemed safe by Government regulation.

But some research indicated that high concentrations of fibre were not necessary, and that that relatively low exposure might cause disease. So concern about high fibre concentrations in the workplace cascaded as far down as housewives worrying about using fibre-cement products.

Public controversy about asbestos increased, and as the image of the mineral plunged, the industry had to make a supreme effort to defend the mineral’s image.

Today the industry can point to safe conditions in asbestos-related work places, and to research showing that the concentration of asbestos fibres in the atmosphere does not increase close to asbestos cement products.

Authoritative British research shows that in an environment with the concentration of fibres there are Johannesburg — which are similar to concentrations in other centres in Europe and the United States — the risk of death from sharing an office with a smoker is 90 times greater than the risk of dying from an asbestos-related disease.

These conclusions are challenged by researchers critical of asbestos, and far from abating, the debate has become increasingly fierce in the late 1980s.

Everite will still be using asbestos in making its pipes, which make up 30 percent of its asbestos-related production. To justify this, it points to research, including a review by the World Health Organisation, which found no evidence of any health hazard where fibres are misted with water.
CONSL

Payback coming

Activities Manufactures glass, plastic and paper packaging, plastic sheeting, glass tableware and processes industrial silica sand

Control. Angloglass Industries holds 55% of the equity. Angloglass Holdings is the ultimate holding company.

Chairman. Clive Menell, managing director.

Piet Neethling

Capital structure: 6.9m ords of 50c Market capitalisation R289.8m

Share market: Price R46. Yields 3.6% on dividend, 10.5% on earnings, PE ratio 9.5.

Cover, 2.8:12-month high, R46. low, R34.

Trading volume last quarter, 10,000 shares.

Financial Year to June 30

'84 '85 '86 '87

Debt: 

- Short-term (Rm) 9.3 9.2 11.7 8.3
- Long-term (Rm) 12 11.7 39.3 22.8

- Debt: equity ratio 0.22 0.51 0.42 0.22

- Shareholders interest 0.52 0.43 0.43 0.47

- Int & leasing cover 1.76 7.1 5.0 8.0

- Debt cover 18.3 0.83 0.85 1.70

Performance

'84 '85 '86 '87

Return on cap (%) 24.2 18.0 18.0 21.0

Turnover (Rm) 248 300 400 500

Pre-tax profit (Rm) 46.8 47.0 51.6 64.0

Pre-tax margin (%) 18.4 16.6 12.8 13.0

Taxed profit (Rm) 26.2 26.7 25.1 30.4

Earnings (c) 422 431 404 484

Dividends (c) 150 150 150 175

Net worth (c) 1579 1752 1918 2243

Consol's costly diversification out of glass is paying off. After heavy investments in the last three years, capital expenditure last year was sharply curtailed, falling from R32.9m in 1986 to R17.9m, and earnings recovered from the previous year's 6% decline.

Attributable earnings rose 20.8% to R30.4m (R25.1m), thanks largely to a R2.9m cut in the interest bill and a 25% turnover advance. Trading margins narrowed slightly to 12.4% (12.6%), continuing a three-year trend that started when competition entered the glass market in 1984, but trading profit still rose by 22.8%.

With cash now flowing into the group, debt:equity calculated on gross borrowings has fallen to a conservative 0.22, when the year-end deposit and cash of R11m are taken into account, gearing on net borrowings is only 0.14, making the balance sheet look impressively strong. Evidence of asset management is shown by the mere 3.6% rise in stocks.

Pre-tax earnings advanced 36% to R58m yet attributable earnings were eroded by a higher tax rate. Government's decision to phase out investment allowances caused the effective tax rate to rise from the year-ago 41.1% to 47.6%. There was little to alleviate this greater tax bill apart from assessed losses in separate operating companies. In the plastics division, both Gundle plants have shown a loss since acquisition in 1985, an 18-month-old plant in the Cakes is still showing losses relating to start-up costs and the Erskeni bags and sacks operation near Ladywell incurred losses after severe labour unrest.

The effective tax rate has almost doubled from 24.7% in 1982, thereby restraining earnings improvements despite sound performance at pre-tax level. That should, however, stabilise around 49%.

MD Piet Neethling says the company has entered a consolidation phase, which should enable improved contribution from plastics and paper packaging, as benefits are felt from the investments of the past few years. However, after last year's breather, spending will accelerate soon. Neethling says investments of R35m a year are budgeted over the next three years. This will be financed from cash flow — at R54m for 1987 — as no major expansions or acquisitions are planned.

Spending will be concentrated in the glass division, to absorb R25m a year, so as to maintain its leading technological edge, says Neethling. Glass remains the core of the business, making up 60% of turnover.

Neethling believes that group margins have reached competitive levels and should now stabilise.

Consumer preference for returnable bottles in the beer and soft drink market should continue to be reflected in sales volume growth, despite pressure from iscor-subsidised cans. Medium- and longer-term prospects are encouraging, thanks to increasing spending power among lower income groups.

Major restructuring in the Gundle plastics plants is expected to bring it back into the black in the current financial year. The plants' monthly losses were sharply reduced by the year-end. The bag and sack operations are expected to benefit from new contracts to supply the Mayze Board with a non-slip synthetic bag to replace imported jute bags.

Neethling believes the company is in a new growth curve. Enhanced productivity and efficiency in all divisions is expected to flow through to the bottom line. Given the company's steady record, the thinly traded share is probably one of the better buys in the sector now that the capital investments aimed at diversification are in place. At R46, the shares offer a p/e of 9.5, lower than that of competitors Nampak (14.3), Metalbox (14.7) and Kohler (10.3).
FORMER journalist Brian Gibson now specializes in handling public relations for industries with an unpopular image. But at a presentation in a Sea Point hotel this week he admitted that asbestos was "a lost cause".

Fear of the three illnesses — asbestosis, lung cancer and mesothelioma — caused by breathing asbestos fibres is so great that its use has been forbidden in West Germany and it is being phased out everywhere else.

Now Everite, one of the major producers of asbestos cement in SA, is switching to the use of a cellulose fibre in building products.

But this will take time. It will not be until 1992 that a complete switch to the new product, Fibrecem, has been achieved.

Meanwhile, Gibson insists, use of asbestos cement is perfectly safe if the proper tools provided by the industry are used.

He warns against the use of an angle-grinder on asbestos cement by building workers, which produces harmful dust.

"We provide, at cost, tools that can safely be used."

Gibson said Everite was spending approximately R1,50m on acquiring "know-how" from an Australian firm, James Hardie, and its British research partner, Cape Industries, on producing cellulose fibres.

More than R30m had been spent on the local development of Fibrecem products.
(21) current ratio and has R5m in bank balances and cash.

Entrenched conservatism makes it unlikely that it will make major acquisitions (certainly not for paper), which means that a similar motor company, intent on taking advantage of the changing demand pattern in the industry, may show stronger appreciation. Still, Curries' share price has doubled this year, which is certainly not a bad performance.

Brodie expects the group will continue to reflect the recovering economy. At 13.3, the p/e is considerably above that of McCarthy's 9.6. Investors seem to be expecting more from the expanded Curries this year. This seems possible.

Dave Edwards

EVERITE

Higher base

Activities: Manufactures and markets fibre cement, plastics, concrete, patch-fibre and ceramics

Control: Everite Holdings holds 56.21%
Chairman: H Theoem, managing director E Arm

Capital structure: 88.53m ards of R1 Market capitalisation: R44.26m

Share market: Price 500c, Yield 1.74% on dividend, 3.4% on earnings, PE ratio, 29.5, cover, 1.9 12-month high, 535c, low, 281c Trading volume last quarter, 1,82m shares

Financial: Year to June 30

<table>
<thead>
<tr>
<th></th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
<th>'87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>3.3</td>
<td>11.1</td>
<td>17.8</td>
<td>17.2</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>4.7</td>
<td>6.1</td>
<td>10.5</td>
<td>14.2</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.04</td>
<td>0.09</td>
<td>0.08</td>
<td>0.11</td>
</tr>
<tr>
<td>Shareholders interest</td>
<td>0.73</td>
<td>0.74</td>
<td>0.76</td>
<td>0.73</td>
</tr>
<tr>
<td>Int &amp; loaning cover</td>
<td>45.2</td>
<td>22.2</td>
<td>5.3</td>
<td>9.36</td>
</tr>
<tr>
<td>Debt cover</td>
<td>4.5</td>
<td>1.9</td>
<td>0.87</td>
<td>1.0</td>
</tr>
<tr>
<td>Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>20.3</td>
<td>13.6</td>
<td>5.1</td>
<td>7.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>236</td>
<td>230</td>
<td>230</td>
<td>292</td>
</tr>
<tr>
<td>Pretax profit (Rm)</td>
<td>60</td>
<td>35.5</td>
<td>14.8</td>
<td>20.9</td>
</tr>
<tr>
<td>Pretax margin (%)</td>
<td>21.3</td>
<td>15.4</td>
<td>6.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Dividend (Rm)</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Earnings</td>
<td>127.6</td>
<td>90.9</td>
<td>27.2</td>
<td>*16.9</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>50</td>
<td>50</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>1.078</td>
<td>1.198</td>
<td>1.328</td>
<td>*303</td>
</tr>
</tbody>
</table>

* Earnings, dividends and net worth for 1987 are not comparable, as a result of a 3-for-1 capitalisation issue

Everite, sensitive to volumes, benefited from higher sales in all divisions barring PATCH-fibre, and increased net income for the 1987 year by 167% to R13.1m. Although the recovery is satisfactory, it comes off a low base, after the group's exposure to the hard-pressed building markets caused profits to plummet in 1985 and 1986.

Operating income, responding to greater throughput, increased 103% to R21.4m and eased pressure on margins. However, chairman Hans Theoem says profit levels are not yet sufficiently high to give a reasonable return on shareholders equity at 0.73. Intense competition for available business has held prices at levels where they are unable to compensate for cost increases which are aggravated by high inflation. He believes this will continue until overall demand increases substantially or significant rationalisation is achieved.

Surplus capacity in the building and construction industry restricted turnover growth, which has been virtually static for the past five years, to 27%.

Interest-bearing debt less cash is a low 0.11 of shareholders' funds, leaving the group positioned to invest in new operations and processes. Theoem cites the now-functioning Housing Trust, initiated by government, as encouraging. Limited initial funds are being released for new housing, while in the private sector demand for lower cost, subsidised housing is good.

The R65m share acquisition of the building products division of Turner & Newall — effective from January 1987 — is expected to contribute to profits in the current year. The fibre-cement division, where divisional profits rose 109% to R8.3m in the past year, is expected to benefit particularly from the deal. The combined operation holds 75% of the fibre cement piping market, where sales are buoyant owing to increased spending on infrastructural requirements. However, streamlining costs are expected to limit profit growth.

Issued share capital for the past year was increased to R88.53m through a capitalisation issue in the ratio of 3-for-1, and subsequently through the issue of R22.13m shares in consideration of the Turner & Newall acquisition.

An expected modest recovery in the depressed construction industry, the group's sound management record and anticipated benefits from the deal with Turner & Newall could produce further growth in profits. However, the share is already trading at a demanding p/e of 29.5 times.

Key Turvey

IRVIN & JOHNSON

Investor feast

Irvin & Johnson (I & J) has earned itself blue-chip status with a 26.1% average annual growth rate in earnings in the past 10 years. The share now carries a healthy 1.5% dividend yield following its run-up from a low of R8 a year ago to its current R21.50 level.

In the past year sales volume growth was minimal, but price increases enabled the group to boost turnover by 20.4% with broader margins, doubled investment income and a
JOHANNESBURG — Spending some of its cash resources, cash-rich Darling & Hodgson (D & H) is rapidly taking shape as the building and contracting company in the Malbak Group.

Yesterday D & H announced that it has bought two businesses from wholly-owned Malbak subsidiaries — the Rocla pipe manufacturing business, and the locks and door furniture and insulation panel businesses of Solid Manufacturing.

The consideration placed on the combined transaction is R50.2m which will be settled by way of a cash payment of R37.0m and the issue of 14,260 new D & H shares. The value placed on the shares is R3.00 per share.

Rocla manufactures concrete, asbestos cement and high pressure PVC pipes at factories throughout South Africa. The solid businesses consist of the solid hardware division, which is a major manufacturer of locks and door furniture, and thermecout which manufactures laminated insulated boards.

Hugh Brown, the chairman of D & H, said that the acquisitions were effective from September 1 and will make a contribution to D & H’s future earnings.

He said “Had the transactions been effective from September 1, 1996 D & H pro forma earnings for the 12 months to August 1997 would have been increased by 44% from 32c a share to 46c. The transactions have the effect of reducing the net asset value per D & H share slightly, from 293c to 248c.”

The new D & H shares will rank pari passu with the existing shares but will not participate in the final dividend for the eight months ended August 1987.

The transactions will have no material effect on the earnings, dividends or net asset value of Malbak.

The transactions are subject to the approval of D & H shareholders — Sapa.
Trading good in all divisions

Tongaat-Hulett doubles earnings

From MICK COLLINS

JOHANNESBURG — Attributable earnings for the Tongaat-Hulett group increased by an impressive 101% to R61,2m, or 69,6c a share for the half-year ended September 30.

As a result the interim dividend has been increased to 18c a share compared with the 10c paid last year, and 34c for the full year.

This followed good trading in all divisions which saw turnover increase by 29% to R1,956m for the six months.

Operating profit rose 31% to R112m (R85,5m)

The directors are forecasting earnings for the current financial year to be “of the order of” 150c a share compared with last year’s 95,3c.

Reduced average borrowings and lower interest rates accounted for the reduction in interest paid which fell from R28,3m in the 1986 half-year to R27,2m for the six months.

After-tax profit increased by 94% compared with an 80% increase at the pre-tax level as the tax rate fell from 48,8% to 36,3%

Group borrowings were R497m compared with the R394m at September 30, 1986, and were expected to be reduced to about R350m by March 31, 1988.

The results of the textile division had improved significantly.

“The sugar division is performing well and in spite of flood damage is forecasting improved production.”

Directors said that while pre-tax profits would exceed those of last year, the sugar division’s tax shield had now been fully utilized and its contributions to profits would be lower than last year.

“Demand for bricks has shown an encouraging upturn in recent months and the contribution to group profits from the building materials division will reflect a significant improvement on last year.”

“The foods division is achieving improved results and will report higher earnings for the year.”

An analyst at E D Rogers said the results were good but the debt level had not decreased as much as expected. However, interest cover had increased from 2:5 to 4:1 times which was favourable.

“The company has previously forecast earnings of 150c a share and analysts are looking for 180c. The share is down to 975c from 1 650c and has lots of recovery potential.”
Stronger Glass abroad

Plate Glass is enjoying increasing benefits from its geographically diversified interests. In the six months to end-September, profitability was good in the group’s local business — but the extensive overseas operations, coming off a low base, did even better. Overall, turnover increased 26% to R1 billion (R835m) and taxed profit grew 34% to R41m (R31m).

With group assets now split about equally between local and overseas interests, Plate Glass is less dependent on the domestic economy than most other industrial companies. In recent years — although probably not to the same extent in 1987 — the group’s foreign income has been helped by the weakness of the rand. These activities are at present showing fundamental, although gradual, improvement.

"Earnings from our foreign investments, which are bedding down after a costly series of mergers and rationalisations, are bearing fruit," says joint executive chairman Bette Lubner. "Over the past six months foreign sales were about 60% of total group sales, and overseas earnings have likewise increased to 55% of our total earnings." Last year the figures were 58% and 52% respectively.

In SA, the group’s building, motor and furniture markets have been strong though not strong enough to require management to divert a significant proportion of production away from the export market. However, all plants are currently running at full capacity.

"We have a provision to further increase our supply to the local market as demand materialises," says Lubner, "but we are committed to maintain a base level of exports." Profit margins are higher on secure local sales.

Though some may doubt the sustainability of SA’s current economic upswing, the group’s focused market segments look more durable. It should benefit from any acceleration in low cost housing projects, for example. "Demand for timber and glass in low cost housing and the higher level of renovation activity were noticeable features in the first half," says Lubner. Demand for vehicle windscreens has increased in line with improvement in the motor industry. And the furniture industry remains an active market.

Present currency fluctuations, and the possibility of a world economic downturn, suggest that the foreign interests might now be more vulnerable than the local operations. "If world economies enter a more depressed phase then our worldwide business interests will not emerge unscathed," concedes Lubner.

Still, he believes the overseas interests will do well in the short term though there are plans to strengthen the offshore businesses. "Numerous opportunities are available internationally," says Lubner. Potential for raising funds overseas to create a more flexible financial platform for offshore subsidiaries is being studied. "Gearing in the overseas companies is close to the group’s 75% debt ceiling, so further borrowing is unwarranted."

As Lubner says, "adding more debt to the

**Plate Glass** Lubner: numerous opportunities abroad

---

**PG's Reflections**

<table>
<thead>
<tr>
<th>Six months to</th>
<th>Sept</th>
<th>Mar</th>
<th>Sept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>835</td>
<td>843</td>
<td>1,035</td>
</tr>
<tr>
<td>Pretax profit (Rm)</td>
<td>665</td>
<td>710</td>
<td>885</td>
</tr>
<tr>
<td>Attributable profit (Rm)</td>
<td>220</td>
<td>280</td>
<td>327</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>133.5</td>
<td>171.5</td>
<td>180.3</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>42</td>
<td>100</td>
<td>65</td>
</tr>
</tbody>
</table>

Balance sheets of those companies could inhibit growth. At R32.50 the share has risen 8% since results were announced — not bad in a sagging market. Management expect year-end EPS of 412c. A dividend of 180c seems attainable. What really matters is the performance thereafter. But the group has shown remarkable resilience in recent years.

Dave Edwards
Chipping away

An increase in building activity, particularly in the residential sector, has reduced Corobrik's stock mountain from a peak of 180m bricks to 110m.

Central Statistical Service calculates that the total value of buildings completed in September fell 3.1% compared with September last year, but the value of residential buildings — the biggest market for bricks — increased by 19.5%. And, says Chris Dickinson, Corobrik's Transvaal marketing manager, the bulk of the oversupply is now in geographic areas which have not yet experienced any upturn, or consists of products not used in residential building.

Stocks of plaster brick, and bricks used for affordable housing, have shrunk to working levels — a one- to two-day stock holding, despite an increased monthly production of 5.5m bricks achieved by running double shifts and overtime.

However, the company is cautious about bringing any plant out of mothballs. Dickinson says the recovery of the property industry could be disrupted by unforeseen political or economic events. As a result, it is appealing to customers to plan ahead and keep it informed of definite building commitments.

Early orders could also help contain building costs. The price of bricks is set to rise by a double-figure percentage in the new year. Dickinson says this is to compensate for a lag during the recession, and to take account of wage and fuel increases.
Brick-makers caught short

A BRICK shortage looms, say industry sources

Corobrik, the largest supplier in the Transvaal, is increasing production

Delivery times have been stretched to between two and three weeks and in the case of some of the fast-moving bricks, stocks of only a day or two are available.

To meet the expected increase in demand after the builders' Christmas break, Corobrik has introduced extra shifts at some plants. It is also considering reopening one plant which was closed after the collapse of the building industry in 1984.

It is likely that brick prices will rise "into double-digit figures" next year, says Chris Dickinson, marketing manager of Corobrik.

Stocks have been reduced from about 160-million bricks at the beginning of the year to 100-million. For the past few months production has been kept about 10% below requirements.

Strong

This was done to reduce the capital tied up in stocks. But because of the traditional pick-up in demand in October and November, builders who had not ordered have had to wait for delivery.

Mr. Dickinson says the stock position in certain bricks is "a bit tight, but those who ordered early have been supplied."

Additional shifts have been introduced at the Sasolburg concrete-brick factory and the number of kilns is being increased from two to four. Production at the Springs and Lawley No 2 plants has been doubled and it is possible that the third shift will be introduced in Springs.

It is also possible that the Henley factory will be brought out of mothballs in the first quarter of 1986.

The result has been an increase in production of 10-million bricks a month since October.

Mr. Dickinson says builders are more bullish about prospects for 1986 and an increase in business of between 7.5% and 15% is expected.

However, higher wages, the increased cost of imported spare parts and rising fuel prices will result in brick prices being hiked by more than 10% next year.

The National Association of Home Builders (NAHB) says that since January national stocks have fallen from 400-million to 356-million bricks in August and says there are shortages and extended delivery times.

The NAHB calls on the industry to improve the variety of bricks on offer.

The industry can do more to increase production by reopening mothballed plants, but because of the capital involved, they need the assurance that demand will remain high.
MANUFACTURING - NON-METALLIC MINERALS

1968
Profit up at Anglo-Alpha

Higher sales, better profit margins and a reduction in finance charges saw cement producer Anglo-Alpha return a 33.4 percent increase in earnings per share to 96.1c for the year to end-December. A total dividend of 70c, 16.6 percent up on 1986, was declared.

Turnover rose by 20.5 percent to R418 million, with most divisions enjoying the trend, but the costs involved in extending the employee shareholding scheme obscured margins and reduced the growth in net income from 24.1 percent to 16.8 percent.

Lower interest rates, an improvement in the cash flow by 27.2 percent and a subsequent R54.7 million decline in borrowings to R225.7 million brought down finance charges by 29.3 percent and helped to boost pre-tax profits by 40.8 percent to R81.3 million.
Cashbuild 4/78 posts a 5% increase in earnings

Finance Staff
Cashbuild, Tradegro's cash-and-carry buildings materials wholesaling subsidiary, increased attributable earnings by five percent to R1,2 million in the half-year to December.

Interim earnings per share declined fractionally to 5,7c (1978 5,8c) on an increased share issue of 81,4 million shares (20 million shares).

Turnover increased 60 percent to R97,4 million, according to the interim report.

ACQUISITION

The directors say the acquisition of Buy 'n Build as part of the Tradegro acquisition of Frasers temporarily impacted adversely on the results.

If Buy 'n Build's results had not been consolidated with Cashbuild's, earnings attributable would have increased 56 percent to R1,3 million.

Managing director Mr Gerald Haunant says the Buy 'n Build deal will yield benefits in the longer term.

"Our network of outlets has been strengthened considerably, with inroads into many new areas.

"As management control of the Buy 'n Build outlets begins to take effect, our previous overall profit-growth will be restored," he says.
Total dividend for the year 50c

Blue Circle doubles earnings

By LAWRENCE TOTHILL
Investment Editor

BLUE CIRCLE has shot out of the trough it has been in for a few years with earnings way ahead of forecast; more than double what they were in 1986 and more than 10 times what they were in 1985.

At the half-way stage Blue Circle forecast earnings of 140c a share for the year to December, 1987, the figure now released is 151.2c, which is an increase of 108% on the previous year's 72.6c.

The final dividend is 30c, making a total of 50c for the year, covered three times.

Welcome change

This will be a welcome change for shareholders who have seen their dividend pegged at 38.5c since 1981 (except for 1985 when it was slashed to 11c).

Turnover at R378m is 25.6% higher than 1986 and the profit before tax and interest is 75.4% higher.

Both the cement and engineering divisions bettered their performances in the year, but the major improvement to profits came from the considerably enhanced results achieved by the materials division.

With the strong cash flow from profits, borrowings are down by some R44m to R101m, and a combination of this reduction and the lower interest rates led to a saving of R5.6m in the group's interest bill.

Borrowings

The balance sheet shows considerable strengthening with borrowings to shareholders' funds having been reduced from 78.6% to a much more satisfactory 48.1%.

The share trades on the JSE around 1 100c and the latest figures put it on an earnings yield of 15.1% and a dividend yield of 5%, which are both a little higher than the average for the building sector.
Blue Circle doubles profit

By Julie Walker

Blue Circle doubled its earnings in the year to December 1987.

The diversified cement producer earned 151.2c a share, beating its mid-year forecast of 146c. Efficiency in the materials division in particular contributed to the improvement. The group reduced its borrowings by R44-million to R100-million. A 50c dividend was declared. At 1 800c a share the dividend yield was 5%. The net asset value a share is given as 179c.

Platinum

Consol echoed the strong performance from Anglovaal's industrial companies. Its turnover rose by 22% to R332-million, profitability by 60% and earnings a share by 70% to 30c in the half-year to December.

Crash last year are likely to affect corporate financial activities, especially new listings. On the other hand, mergers and takeover activity may increase. The company aims to exceed earnings of 50c a share in the year to June 1988.

Cashbuild seems to be finding life hard with franchises and without Albert Koopman. Although turnover increased by 61% to R31-million, earnings a share dipped from 5.8c to 5.7c. Four of the 24 acquired Frasers stores have been closed.

Impala ran ahead of expectations. The platinum producer increased its dividend by 30% to 60c on interim earnings of R236-million in the half-year to December. Occupancy levels in the group's international hotel division rose to 70%, and an improvement was shown by South African hotels. Kersaf declared a 30c interim, 32% higher than last year's.

Tame Holdings clocked in with a near-tripling of earnings to 16c a share in the year to December 1987.

The group provides management and financial services and training programmes. It was granted a licence for Time Life Insurance at the end of last year, and will begin the business shortly. It says prospects for 1988 are good.

The share price rose 70c to 150c on the results. The dividend of 6c yields 4%.

Margin up

Searbl shares did not move in spite of excellent interim results to December 1987. Turnover increased by 20% to R204-million, but the profit margin was 29% up at R22-million. Increased finance charges and a higher tax bill could not depress a rise in earnings by 20% to 40c a share, and the dividend was raised 20% to 5.6c.

The company has acquired Benwi, the manufacturing arm of Woolru, for R9-million.

Jazz Stores' acquisition of 100 Frasers outlets from the second half of the year to December 1987 lifted its turnover by 16% to R168-million, but the earnings a share rose by 32% to 7c. At the current price of 16c Jazz has a P/E ratio of 10.5. The management expects an improvement in performance.

Tranaco Sun recorded a 55% higher turnover to R534-million in the half-year to December 1987, and a 37% increase in attributable earnings. However, the rise in earnings a share to 12.2c was diluted to only 12c because of the increase in the number of shares issued. The 10c dividend was 1.2 times covered by earnings.

The management says it is not possible to forecast the implications of the findings of the commission of inquiry now sitting in Umtata. Tranaco

Interest up

Lion Match, reporting interim results covering a 12-month period, suffered a much higher interest bill of R2.09-million, compared with only R2.00 million in the year to December 1986. Off-shore and medium-term borrowings and a bank overdraft were responsible for the R32-million owed.

Lion Match is changing its year-end to coincide with that of SAB Breweries which holds a major stake. It does not expect to accrue much in earnings for the remaining three months of the current financial period.

Durose returned its maiden interim figures after a change in the nature of business to corporate financial services last year. Durose earned 27.2c a share, and also realised an extraordinary profit of R1.5-million on the sale of property to Groenvale Property.

It says that the adverse effects of the stock market
80 lose jobs: Court reserves judgment

Labour Reporter

JUDGMENT has been reserved by the Industrial Court in an application for reinstatement by 80 workers dismissed from Cape Lime at Robertson last year.

The workers, members of the South African Chemical Workers Union (Sacw), were dismissed in three groups in November.

A stoppage on November 4 over police action against Sacw strikers at Sasol was followed by further industrial action over proposed disciplinary action by the company.

At sittings of a disciplinary committee on November 6, 9 and 11 the company implemented final disciplinary warnings issued against certain of the workers earlier in the year when they had stopped work in protest against the detention of Sacw's national organiser, Mr J Samela.

Mr Joel Krieger, appearing for the workers and Sacw, said the dismissal procedures had been procedurally unfair and the company had failed to take into account the workers' service.

This totalled 947 years and the longest serving employee had 40 years' service.

Mr P Roux, for the company, submitted that the workers' conduct had been beyond control.

Mr P Roux, instructed by Mr John Hendry, Mr K G Druker, Mr A Bignam, instructed by Mr Merwe Scholtz and Mr S de Villiers, appeared for Cape Lime.
Eastern Cape brick production rises

Port Elizabeth — Brick production in the Eastern Cape will more than double this year and several new jobs will be created.

Corobrik's Eastern Cape manager, Mr Dewey Schmidt, said this was in response to growing optimism in the Eastern Cape economy and the increased activity in the local building industry.

This optimism is borne out by figures released by the Port Elizabeth City Council which show that building plans passed for the city's municipal area last month were 56 per cent up on the same month last year.

The value of buildings started in the first two months of this year was R15.2 million — almost 26 per cent more than the first two months of 1987.

Production at the company's Grahamstown plant has already been increased by 25 per cent and clay brick production in Port Elizabeth would be increased from 12 million to 28 million bricks a year, he said.

As a result of this increased production at Swartkops, 40 new jobs would be created in Port Elizabeth, Mr Schmidt added.

Announcing the expansion plans yesterday, Mr Schmidt said the number two plant at Swartkops, which has been closed since May 1984, was being refurbished and modernised.

The plant will be converted into an oil-fired kiln and the start-up date was June 1, he said.

The new kiln would produce high-quality clay face bricks as well as the cost-effective Maxi Bricks for single and double-walled construction, to be used in affordable housing.

Mr Schmidt said alterations would also be made to the Grahamstown plant.

He pointed out that both Eastern Cape plants would still have spare capacity despite the increased output from midyear.

"The South African brick industry has been through an extremely severe downturn. While there has been a rapid increase in the demand for clay brick products in the Eastern Cape, it must be remembered that this is occurring from a very low base.

"Despite the increase in demand, we still have additional production capacity at both our Port Elizabeth and Grahamstown plants."

Mr Schmidt said the brick industry was operating at about 75 per cent capacity with present demand being nowhere near the boom of 1983-4.

"However, we are most confident about the future of the Eastern Cape economy."

No further information was available from Mr Schmidt regarding the extent of the increase in the number of jobs to be created.
though not to the same extent.

Annual growth of 5%-7% in plastics demand during the early Eighties rose to 15% in 1986 and 1987. The need for imports has risen as local producers have struggled to keep pace with demand.

The shortfall is some 2,000 t a year for polypropylene, but should be less when Sasol’s new propylene plant is commissioned. Polyethylene is a different story. Although there is demand for 95,000 t of HDPE and Saffiplast has capacity to produce 92,000 t, there is enough ethylene for no more than 88,000 t.

AECl, producer of low-density polyethylene (LDPE) and linear LDPE, says the market demand will exceed local production by 25,000 t-30,000 t, as production is running at less than 50% of capacity. AECl exported 10,000 t of polyethylene in 1986 but imported 18,500 t the following year.

Convol Plastics MD David Spindler says the shortfall was exacerbated by the Sasolburg ethylene plant suffering start-up problems after its mid-year closure.

AECl says any additional ethylene from Sasol will be welcome because it allows local production units to be loaded and encourages exports, for which there is undoubtedly a market as there is a worldwide shortage of polymers.

Sasolchem MD Hennie Badeker remains cautious. He says “It must be realised that to produce monomers such as ethylene, requires a vast capital expenditure which cannot be considered until the market growth ensures a reasonable plant loading. Sasol cannot consider premature investment which might be uneconomical.”

Worrying plastics converters is the fear that if plastics prices get too high, they may lose trade to the “mature” packaging products such as paper, metal and glass.
Blue Circle doubles

JOHANNESBURG

Following the increase in earnings a share from 72.6c to 151.2c cents last year compared with 1986, Blue Circle forecast further increase in earnings this year.

The chairman, Mr Trevor Coulson, says in the annual report that it would be unrealistic to expect the same again but he nevertheless expects profits and dividends to rise faster than the inflation rate.

The major increase in the group's profit has come from its materials division income before interest and tax, here, rose from R5.3 million to R23.3 million — and now accounts for 32 per cent of group income.

This 336 per cent increase came on turnover 38 per cent higher. The turnover increase resulted from a combination of selling price increases and improved sales penetration.

The cement division also enjoyed better operating efficiencies. Turnover rose by 17 per cent as a result of slightly higher cement demand, increased sales volume of pulverised fuel ash and diversification into the lime market.

There was a 29 per cent increase in operating income.

Mr Coulson notes that the cement industry has been granted a further exemption — until end September — to complete consultations with the Competition Board.

"I remain convinced," he says, "that the existing market sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact.

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable excess capacity."

Reduced borrowings and lower interest rates combined to drop the group's finance charges but tax charges absorbed more of profits.

— Sapa
Cement cartel gets stay of execution

THE cement industry, fighting to protect its market sharing scheme in the face of Competition Board opposition to any form of cartel, has won another temporary reprieve.

The industry's exemption from the board's ban was due to expire on May 31, but it has been extended until September 30.

Blue Circle chairman Trevor Coulson says in his annual report: "I remain convinced that the existing market sharing practice is reasonable, sensible and practical for the industry, customers and the country and should be left intact.

"It is particularly inappropriate to propose any fundamental change while the cement industry has such considerable surplus capacity."

The long-standing agreement among the three major producers - Blue Circle, Anglo-Alpha and Pretoria Portland Cement - ensures that orders from certain areas can be filled only by specified companies.

Transport costs

The producers claim that it avoids costly transport costs incurred by hauling cement over long distances and ensures more efficient working in the industry, which has been hit by over-capacity.

But it does inhibit price competition.

The industry's defence of the marketing scheme has been submitted to the Competition Board. The final decision is expected before the exemption runs out.

Mr Coulson says the modest increase in cement demand in the second half of 1987 is encouraging for this year. There should be growth in the profits of the cement division, which contributed 57% of the group's R72,6-million income before tax and interest.

Last year Blue Circle increased its earnings from R2,6c a share to R2,8c. Mr Coulson predicts another rise this year.

"It would be unrealistic to expect future profit increases of the magnitude achieved last year."

But he expects earnings and dividends to increase ahead of the rate of inflation.

"Substantial spare capacity still exists in most of our operations. This capacity is strategically well positioned and any upturn in the economy, particularly in the construction and building sectors, will have a marked effect on the group's results."

The major improvement in last year's profit came from the materials division, which produces sand, stone, ready-mixed concrete and mortar.

The division lifted income before tax and interest from R5,3-million to R12,3-million. It now accounts for 32% of group income.

Major restructuring of the division has paid off in cost efficiencies and the 335% income increase was achieved on a 33% turnover rise.

The group's balance sheet was stronger at the end of last year with borrowings representing only 49,1% of shareholders' funds. Total dividends of 90c were covered three times.
More to come

Under-utilisation of capacity has been a key problem in the highly capital-intensive cement industry. This has placed pressure on management to improve.

**Area B: Mosselbay, N.**

**Area C: Harrismith, K.**

**Area D: All other areas**

---

**Activities**

Manufacture and supply of basic materials to the construction and building industry. Also manufactures and distributes engineering products.

**Control**

Blue Circle, PLC and Daniels & Hodgson each have 42%.

**Chairman and MD**

T G Coulson

**Capital structure**

27.6m ord of 50c each

Market capitalisation R297m

**Share market**

Price 1076c Yields 4.7% on dividend. 14.1% on earnings. PE ratio, 7.1, cover, 3.0 12-month high, 1880c, low, 900c.

Trading volume last quarter, 47 000 shares.

**Financial**

Year to December 31

<table>
<thead>
<tr>
<th></th>
<th>'84</th>
<th>'85</th>
<th>'86</th>
<th>'87</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>Short-term (Rm)</td>
<td>45.1</td>
<td>59.7</td>
<td>60.5</td>
</tr>
<tr>
<td></td>
<td>Long-term (Rm)</td>
<td>121.2</td>
<td>126.9</td>
<td>97.7</td>
</tr>
<tr>
<td></td>
<td>Debt equity ratio</td>
<td>0.39</td>
<td>0.98</td>
<td>0.75</td>
</tr>
<tr>
<td></td>
<td>Shareholders' interest</td>
<td>0.51</td>
<td>0.44</td>
<td>0.45</td>
</tr>
<tr>
<td></td>
<td>Int &amp; leasing cover</td>
<td>1.4</td>
<td>1.1</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>Debt cover</td>
<td>0.15</td>
<td>0.15</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>'84</td>
<td>'85</td>
<td>'86</td>
<td>'87</td>
</tr>
<tr>
<td>Return on cap (%)</td>
<td>13.0</td>
<td>8.9</td>
<td>8.7</td>
<td>10.6</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>194</td>
<td>231</td>
<td>301</td>
<td>378</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>47.8</td>
<td>42.9</td>
<td>41.4</td>
<td>72.6</td>
</tr>
<tr>
<td>Pre-tax profit (%)</td>
<td>24.6</td>
<td>14.7</td>
<td>13.7</td>
<td>19.2</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>19.6</td>
<td>20.0</td>
<td>20.0</td>
<td>41.6</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>80.9</td>
<td>71.7</td>
<td>72.6</td>
<td>161.2</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>38.5</td>
<td>11.0</td>
<td>38.5</td>
<td>50.0</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>803</td>
<td>879</td>
<td>866</td>
<td>793</td>
</tr>
</tbody>
</table>

Efficiencies and seek rationalisation where possible. Last year, Blue Circle enjoyed benefits arising both from measures taken in this area and from former sales volumes.

Executive chairman Trevor Coulson says that while the cement and engineering divisions benefited their performance, during the year, the major improvements came from the group's profit, which reached record levels — came from considerable enhanced results in the materials division.

In the materials division, he says, the benefit of cost savings, greater efficiencies and reduced manning levels effected in 1986 flowed through. "In addition, sales volumes were increased in all areas," he says. "The combination of all these factors led to the improved operating profit." The group has achieved a powerful turnaround in two years. In 1985, there were earnings of only R4m at attributable level, in the following year these were lifted to R20m — the best since the R24m in 1981 — and

**Blue Circle's Coulson**

... more asset management

R161.8m in 1985, and cash stood at R17.4m (R14.5m).

The earnings growth must be set to slow down from the fast pace of the past two years, but the group is now operating at a level where efficiencies and returns are high, and profits should respond well to further volume pickup. Coulson forecasts that, given existing circumstances, profits this year should continue to increase faster than the expected inflation rate and that dividends should rise at a similar pace.

Andrew McNulty
FILLING THE GAP

Cement industry fears that there would be a fall-off in the demand for cement in the western Cape have proved unfounded.

The concern was that there would be nothing to fill the demand gap after the completion of projects such as Du Toit’s Kloof road tunnel, the Hex River rail tunnel and the Palmiet pumped storage scheme.

These three projects between them required some 150,000 t of cement during the three to four years it took to complete them.

However, new housing schemes in the area have boosted cement demand. So much so that consumption is running at its highest level for some years.

Guy Luyt, Pretoria Portland Cement MD, says Blue Downs, Highbury and private black residential development alone are accounting for some 55,000 t of cement — worth over R6m a year at present.

“If you take into account ongoing schemes such as Mitchell’s Plain, Strandfontein Village, Kleinvlei (at Eersterivier), Atlantis, Table View and Khayelitsha, economic housing schemes are clearly a bull point for cement demand in the western Cape at the moment.

“Our fears were ill-founded since economic housing has more than compensated for the fall-off in sales to those big civil projects.”

He says a new trend in the western Cape — and one which cement producers are watching with interest — is the strong upturn in private coloured residential development.

“Assisted by financial institutions, more and more coloured people are building their own homes in the western Cape.”
D&H gets it together

D&H has lived through a rough patch, cleaned itself up, and looks all set to follow-on its recent recovery with strong earnings growth and dividend action. Since before the October crash, the stock peaked at a price of 452c before tumbling to 226c. Since then it has gained some ground to 286c, albeit a far cry from its 1014 high of 94c.

The trend, yet to be established, depends upon the resumption of shareholder confidence.

D&H is an industrial holding company with its major asset being a 42% holding in Blue Circle, which manufactures and distributes cement, engineering and construction materials in New Zealand. In addition, the group is involved in a joint venture with Murray & Roberts to develop property on Woodridge Island, Cape Town. During the current financial year the group expanded by acquiring, for cash, certain businesses of Sedi Manufacturing and Raymond.

Blue Circle contributes more than 50% to group results. That component is made up of three divisions: cement, materials and engineering. The former is most important, while the materials division is fast gaining lost ground (its pre-tax profit is not yet at the levels attained in the late 1950s).

PRICE wars were mostly responsible for the decline, while the current upswing is being spurred on by better demand for quality-fixed products and sand.

The townsville development project in Woodridge Island is expected to succeed, especially as a result of new mining from the Cape Town and has a spectacular view of the mountains.

MD Richard Bryam says the benefits from this will only be felt next year. He explains that only about 45% of a total of 380 units have been completed. The rest will be built during the year.

Mr Bryam says there is a definite upswing in the industry. He says the improvement in the cement market has been substantial, but the central issue here is whether it will be sustained. The capital-intensive cement division of Blue Circle should do exceptionally well if the upswing continues. This will reduce the 40% surplus capacity and benefits should run directly to the pre-tax level.

Mr Bryam says the Competition Board's decision on dismantling the cement industry cartel has been extended to September 1985 if dismantled, certain compensations will have a geographical advantage because the cost of transport is so high. Mr Bryman believes the cartel is more likely to be phased out, than suddenly dismantled.

The 1985 profit forecast remains a little uncertain. Mr Bryman seems to have his fingers crossed.

The company has a 27% interest in the cement manufacturing joint venture with Murray & Roberts which shows a profit of $206,000 and a dividend of 2c.

LYNNE PEACH

Management changes included the placement of ex-PowerTech MD Hugh Brown in the chair and the appointment of Richard J. Byram as MD. Ownership was altered after the sale of D&H by Gencer to Malbou. The rights issue increased the holding to between 50% and 60%. The company is now 40% to 45% in the hands of the public.

The two latest results of D&H confirm that the group has found its feet and achieved a position to achieve strong growth. Earnings in the 14 months to February 1988 amounted to $7.7m (a loss of $1.1m in the year to December 1986). Turnover, however, appears to have declined in the latest period.

The balance sheet shows a strong financial position with gearing under 13% at the end of February 1988.

Mr Bryman is optimistic about group prospects. He expects solid growth in the current year.

While D&H is in a position to make acquisitions, it is also busy. Instead of sitting and squashing cash flows in the meantime, the group will consolidate and try to restore shareholder confidence by building up an earnings track record.

The share price is currently 24c. On annualized earnings to February 1988, the P/E ratio is 3.5. This compares favourably with a 4x P/E ratio for 1986, raised by Gencer Thrao raised 10.7 to 13.7 million and increased the number of shares in issue from 28.3 million to 61.7 million. It also opened the way for growth and put the company back in a dividend-paying position.

Preference shares were CeJ, converted to ordinary shares. These shareholders had not received anything since the P/E payment in 1984 and it would take a few years before D&H could pay them to pay the full face value. Consequently, they were approached with a proposal to convert their shares into ordinary shares on a 1 to 1.5 basis.

Management changes included the placement of ex-PowerTech MD Hugh Brown in the chair and the appointment of Richard J. Byram as MD. Ownership was altered after the sale of D&H by Gencer to Malbou. The rights issue increased the holding to between 50% and 60%. The company is now 40% to 45% in the hands of the public.

The two latest results of D&H confirm that the group has found its feet and achieved a position to achieve strong growth. Earnings in the 14 months to February 1988 amounted to 7.7m (a loss of 1.1m in the year to December 1986). Turnover, however, appears to have declined in the latest period.

The balance sheet shows a strong financial position with gearing under 13% at the end of February 1988.

Mr Bryman is optimistic about group prospects. He expects solid growth in the current year.

While D&H is in a position to make acquisitions, it is also busy. Instead of sitting and squashing cash flows in the meantime, the group will consolidate and try to restore shareholder confidence by building up an earnings track record.

The share price is currently 24c. On annualized earnings to February 1988, the P/E ratio is 3.5. This compares favourably with a 4x P/E ratio for 1986, raised by Gencer Thr

D & H : WEEKLY CLOSING PRICE

30 week moving average

The share price has tumbled to more sideways for the past four months, and has not yet established a turnaround. The trend of management's enthusiasm has increased over the past year. The trend of enthusiasm we must assume this trend is likely to be relatively extensive. Another positive factor is that, for over a year, the trend has had a tendency, better than the 380 industrial index.

J.B.

INLAND REVENUE

YOUR TAX RETURN MELTED DOWN OUR COMPUTER.
PPC looks strong at half-way stage

By Ann Croft

Pretoria Portland Cement, the country's largest producer of cement and lime, has reported a 36 percent increase in earnings and a 56 percent surge in dividends for the 6 months to end-March. This puts it well on course to surpass management's annual report forecast for a "reasonable improvement" in earnings and dividends for financial 1988.

But management remains conservative for the full year performance and is looking to only a "satisfactory" earnings increase for financial 1988.

On a 17 percent increase in turnover to R261 million (R222 million) the group managed a 55 percent improvement in operating profit to R55.9 million (R44.8 million). This reflected an improvement in margins from 20 percent to 21.4 percent.

This latest improvement in margins may be little comfort to a group that has seen them whittled down from 28 percent in financial 1985 to 22 percent in financial 1987. The weaker trend is attributed to the inability of the obtained price increases to absorb the rising costs of coal, railway and electric power.

But on the brighter side, at least margins are now moving in the right direction although the extent to which this is dependent on higher prices and not improved asset management will not please the building and construction industry.

The group's interest payments were down a sharp 53 percent to R2.6 million (R5.6 million). The balance sheet at end-March shows a substantial drop in long-term liabilities from R27 million at the end of financial 1987 to R16.8 million. Capital expenditure was also down sharply from R17.5 million at end-financial 1987 to R5.8 million at end-March.

Increased activity in the construction industry helped boost income from investments by 47 percent to R6.5 million.

This contributed to the 37 percent increase in pre-tax profit from R43.9 million to R60 million. A slight reduction in the tax rate saw the taxed profit increase up 41 percent to R31.7 million (R22.5 million).

Attributable profit was up 42 percent to R31 million (R21.8 million), an improvement that was diluted slightly at the per share level by an increase in the number of shares in issue.

Earnings per share were up 36 percent to 79.6c (58.4c) from which a dividend of 25c was declared, 56 percent up on the previous year's 16c. Dividend cover has been reduced from 3.7 times to 3.2 times.

A divisional analysis shows that cement was the stronger performer, contributing R145.8 million (R121.8 million) to turnover and R34 million (R24.9 million) to operating profit.

The lime division saw turnover increase to R55.5 million (R50.4 million).
Business Report

PPC profits surge, divy sharply higher

From Liz ROUSE

JOHannesburg — Pretoria Portland Cement's (PPC) profits have surged with a sharp upturn in the construction industry in the six months to March.

PPC earnings are way ahead of market forecasts and the interim dividend has been raised by 59% to 25c from 16c — thanks to the higher profits and a decision to reduce the disparity between the interim and final dividends.

Bottom-line profits are up 42% to R31m from R21.9m, equivalent to earnings of 79.6c a share compared with 58.4c previously — an increase of 35% after taking into account the dilution following the recent conversion of some of the outstanding debentures.

The strong interim results sprang mainly from a significant improvement in the cement division's performance, a sharp drop in finance costs and an increase in investment income.

The prognosis for the full year is a satisfactory increase in earnings over 1987.

Turnover for the six months rose by 17% to R281.2m from the previous comparable half-year's R222.4m — with the cement division accounting for most of the increase, thanks to higher volumes, prompted by increased economic activity.

Group operating profit was 29% up from R44.6m to R55.9m.

It is clear from a divisional analysis in the interim report that cement margins were up in the half-year, although Wroegmann points out that cement price increases were below the rate of inflation and, to a degree, offset by increased costs of administered services, such as royalties.

PPC's interest bill came down by R3m from R5.6m to R2.6m — a drop of 53%, reflecting the lower borrowings now that the bulk of the group's capex programme is behind it.

Investment income rose to just under R7m from R4.7m, which Wroegmann ascribes to satisfactory improvements in the performances of associated companies.

Tax took R28.4m compared with R21.4m in the previous half-year.

The balance sheet is even stronger than last year, showing that PPC is well poised to take advantage of any opportunities which may arise. Gearing is low, with the debt equity ratio down from 10.3% to 6.7%.
Brick shortage
rumours denied

There is no shortage of bricks to meet rising demand from the building industry.

This assurance comes from Mr L van Rhyn, president of the Brick Development Association, commenting on recent media reports suggesting that brick supply is being affected.

"Despite the fact the production has been lost because of severe weather conditions which have led to flooded clay pits, there is no shortage of bricks in South Africa," says Mr Van Rhyn.

"Out-of-stock situations might occur in certain product lines in some areas but the overall picture indicates that we have in excess of 1,53 months reserve of bricks among association members."

The brick industry, which along with many other building industry-related suppliers, took a knock in the recession, still has more than 25 percent manufacturing capacity, which can be put into operation when the need arises.

Mr van Rhyn emphasises that with proper planning by construction men, "brick shortages should not occur.

"Unfortunately, plans are frequently not passed on to the brick manufacturing industry in time to avert sudden delays when demand increases," he says.

"We are able to increase production facilities significantly, provided we are informed in good time.

"For example, there is often the builder in remote areas who might find there are suddenly no bricks and immediately he cries out about shortages.

"In fact, all he might well need to do is to go down the road to the next town and find there are adequate supplies.

"All people need to do is to work closer with brickmakers to ensure that there are no problems and that none will arise," says Mr van Rhyn.

An indication of the uninterrupted throughput of bricks by the member companies of the Brick Development Association is seen by in the fact that in January this year, there were more than 232 million produced, while in March, the figure was 233 million.

"
Brick price rises lag others

Price increases of brick products in the Transvaal over the past five years have been well below the combined average increase of all other building materials, says LHA Management Consultants.

The research organisation's comparative pricing analysis, undertaken on behalf of Corobrik, shows that from 1983 to 1988 the actual cost of bricks as a proportion of the total cost of a standard 120 sq m face-brick house declined from 13.5 percent to 11.8 percent. For an economic house (60 sq m), it declined from 18.3 percent to 16 percent.

In the same period, the cost of paint, exterior and interior, increased from 6.9 percent to 8.4 percent of the total cost of a 60 sq m house — an overall increase of 12.6 percent since 1983, against an average 70 percent increase for face bricks.

The main objective of the analysis was to highlight the cost trend of brick products in relation to other building materials. Key suppliers and users of timber, glass, sand, cement, bricks and other materials were also questioned.
Boumat making a bid for Mewa

By Ann Croft

Boumat, which supplies materials to the building industry, looks set to take control of Mewa, one of the country's leading fabricators of stainless steel products.

A cautionary statement has been made that negotiations are taking place, which if successful could result in the acquisition of Mewa by Boumat. A further announcement is expected within two weeks.

If negotiations are successful then it may also result in the disappearance of Mewa from the building and construction sector of the JSE after just ten months of life in the public eye.

Mewa went for a listing last September in order to raise money to fund the strong growth that management was forecasting. The group's results for the year to end-February showed earnings per share of 13.1c which were well ahead of the prospectus target of 11.5c. While actual turnover beat the prospectus forecast, operating profit was slightly lower because of the adverse impact that expanding production capacity had on margins.

At the time that management announced its results, which was at end of May, there was little indication of a possible change of control. The directors were looking to further growth in financial 1989 on the back of buoyant conditions in the building industry as well as from increased expenditure on education and medical care facilities. In addition, "With its upgraded production infrastructure, and strengthened sales and marketing resources in Johannesburg and Durban, the group is well positioned to increase turnover and earnings."

The initial reaction to the announcement has been favourable. Since the time of the preparation for its listing last year, Mewa has made a favourable impression on most analysts who regard it as a very tightly run operation. However, this impression was not reflected in the performance of the share price and after an initial surge to 12.5c from its issue price of 100c it eased back to trade below the issue level.

The only explanation that was put forward was investor concern about possible successors for Ernst and Eliza Rabie, who are joint MDs and are also major shareholders. A link-up with Boumat appears to make excellent sense. It will provide Mewa with whatever depth of management it may need and will enhance its growth potential. What remains to be seen is whether or not the Rabie family will be staying on.

Russia to market gold coins

VIENNA — The Soviet Union has formed a joint venture firm to sell gold and other precious metal coins to the West celebrating events such as Russian Christianity's millennium, a senior Soviet official said on Monday.

Eugene Ulanov, treasury division general manager at the Soviet Bank for Foreign Economic Affairs, told reporters that his firm would start selling gold, platinum, palladium and silver coins in October.

The first coins to be issued would mark events such as the 1,000th anniversary of Christianity in Russia, as well as the invention of the Cyrillic alphabet and Russian architecture.

Ulanov, in Vienna for a world gold conference, said his firm, Mezhdumzhat, was a joint venture of its own bank, the State Bank of the USSR and the Soviet-owned Okt-West Handelsbank AG which is based in Frankfurt. — Sapa-Reuters

can avoid the g effects of

KRUGERRANDS ON CREDIT!!

R50 DEPOSIT PER COIN

24 MONTHS TO PAY

INTEREST ON REDUCING BALANCE

(011) 402-9260

CONTACT LEON ETTIN

THE GOLD INVESTMENT CORPORATION

---------

bought up by Liberty Life

---------
Asset sale will reduce debt burden

FSI-Waicor finally get restructuring under way

By Ann Crotty
and Magus Heystek
An announcement on the restructuring of the FSI-Waicor group is imminent — some 10 months after the initial deal was conceived.

Cause of the long delay is believed to be the R227 million debt raised by FSI to fund the acquisition of Waicor. Originally, the deal involved the purchase of Mannie Simchowitz’s 47 percent stake in Waicor for R35 a share.

This meant FSI had to fork out R105 million to Simchowitz. At that stage although the offer was well ahead of the market price of R22.75, prospects for the enlarged group looked exciting enough to expect that most of the minorities would stay on board.

But the collapse of the JSE just 10 days later ensured that the R35 per share offer to minorities would be snapped up. This meant FSI was looking at a massive debt of R227 million.

To Mr JeffLiebenso, executive chef of FSI, this must have been a stroke of singularly bad luck as a booming equity market would have facilitated the deal much easier. Any rights issues would have almost certainly been gobbled up by stock-hungry institutions and investors.

There has been considerable disagreement between company sources and market analysts as to the annual cost of this debt. The former have indicated, but not stated, that although it was used to buy shares, the debt has been made tax efficient which means an annual interest charge of around R12 million.

However, analysts remain adamant that at this stage the group is looking at an annual interest bill for the Waicor acquisition of around R25 million.

Against this, is an expected annual income from Waicor of about R10 million in the first full year.

The difference between the two amounts has put most pressure on management to restructure the group and ensure that the debt is transferred from FSI to Waicor operating subsidiaries where, as one broker noted, it can more easily be offset against trading income.

Sale of assets

This can be achieved by the sale of FSI assets to Waicor subsidiaries. It would be pointless for FSI to undertake a restructuring without making a significant reduction of around R125 million into debt.

What FSI assets are available for sale to W & A? — Form-Scalf and NatBolt. If both were sold most of the debt problem would be resolved.

But indications are that FSI management is keen that Form-Scalf remains an unlisted 100 percent held company.

Form-Scalf is rapidly on the way to becoming one of the world’s top scaffolding companies. A change in the nature of its ownership could attract unwelcome attention to its SA links and in addition any reduction in the 100 percent stake would dilute FSI’s future income from this very lucrative operation

So, Form-Scalf is unlikely to be affected by the restructuring.

This means the funds have to be raised through the sale of NatBolt. And the feeling is that FSI could be looking for something in the region of R130 million for its 78 percent stake in NatBolt. The obvious purchaser is Hunts, although the burden could be spread across Gentyre and Tanza.

A R120 million is equivalent to about R26 per NatBolt share which is a 25 percent premium on the current market price and not far off its 12-month high of R33.

The biggest problem facing FSI management must be how to persuade the shareholders of Hunts and its subsidiaries to pay the premium. Part of this problem will be resolved through the purchase by W & A of AAF’s 50 percent stake in Hunts at a price rumoured to be in the vicinity of R10 a share.

This would leave London-based AAF, headed by Mr Simchowitz, with something in the region of R20 million available for the purchase of overseas assets and it would leave W & A with about 65 percent of Hunts and mean that there was less dilution of earnings and dividends to the pyramid company.

Costly exercise

It will also eliminate the costly exercise of repatriating dividends to AAF only to repatriate them back to SA, an almost futile exercise which last year cost close to R650,000.

Mr Simchowitz finds himself in the enviable position that, although he only has an indirect stake of 11 percent in AAF via an option, he can virtually dictate terms similar as the deal relates to AAF and Hunts.

According to rules on the London stock exchange minority shareholders can withhold their blessing on any deal, thereby blocking it, unless they consider the terms sufficient. Thus happened last month when the minority shareholders in AAF blocked the proposed deal whereby Mr Brian Joffe was to acquire control of locally quoted property company Aurochs in which AAF has a stake.

At the time of the deal Mr Simchowitz said he would agree to any deal on the basis of it being "financially viable".

This can mean only one thing: A deal has been struck with the minority shareholders, and in particular Mr Simchowitz, of AAF.

With regards to the minority shareholders, if FSI is looking for a significant premium on NatBolt then it is likely that most of the important minority shareholders have already been tested for their response.

Conscious of the fact that there exists some concern about the quality of management in the Waicor group, particularly after the departure of Mr Simchowitz initially and recently Mr Brian Joffe, FSI this week announced the names of the executive committee which will oversee the day-to-day running of the company.

While the restructuring has almost certainly taken up most of the time of the various executives, much is expected from them once the restructuring is complete.

Already there is some talk in the market of Gentyre acquiring Goodyear’s SA operation.

One significant, although at this stage not vital, detail worth looking out for will be whether the restructuring brings together NatBolt’s subsidiaries, L Matus and Tarry. It was with the intention of linking up these two operations that FSI first approached the W & A group some 10 months and R227 million ago.

311
SABS warning on bricks, blocks

False claims by some cement brick manufacturers about the quality of their products has led the South African Bureau of Standards to issue a warning.

The bureau says that although some samples submitted by brick and block manufacturers have been approved by the SABS, it is only those samples which have been checked and thus does not entitle producers to claim that the whole of their present and future production batches have the bureau's stamp of approval.

According to the SABS, the best way to ensure that cement bricks and blocks are being manufactured to acceptable standards is to buy from a factory which has been awarded a permit to use the standardisation mark of the SABS on its products.

This mark means that routine daily and weekly tests in accordance with SABS specifications are being conducted on the products by the factory and monitored by bureau inspectors.

These factories may display the SABS mark of approval on their invoices, delivery notes and advertising material.

Prospective buyers from factories not operating under the SABS mark scheme can make use of the consignment testing service offered by the bureau.

On lots of a certain size, samples are taken at the factory or building site and tested by the SABS.

However, it is illegal for anyone to use an SABS test report to promote the sale of cement bricks or blocks. Test reports refer only to specific consignments of materials and not the general output of a manufacturer.
Liebesman gets thumbs-up from top market analysts

By Magnus Heystek

Stock market analysts came away from a meeting with FSI-chef executive Jeff Liebesman yesterday generally positive about the prospects of the newly reorganised FSI/Wacor group.

The reaction of analysts and institutional investors are paramount to the success of the various rights issues in the pipeline. The meeting also cleared up certain misconceptions regarding the cash-flow of the various holding groups which were seen to be negative prior to the restructuring.

"Hunts is the immediate beneficiary in the whole restructuring and is grossly undervalued at present," one analyst said after the meeting. While Hunts would have earned 149c a share (up 21 percent from the actual 123c) had the reorganisation been in place since January 1 last year, this particular analyst is now predicting earnings a share of at least 250c for the current financial year, which ends on December 31 1988.

For a dividend he is forecast-
Last September, FSI surprised all by announcing its acquisition of an effective 50% of W & A.

At the same time, Brian Joffe (former CEO of W & A) said a major challenge would be to tighten up W & A which was "a little unfocused." It took only eight months for FSI to come up with a new master structure which, as expected, largely focused on shuffling interests under the W & A umbrella. The emergent, more sharply defined group plans to change its name from FS Industries to FSI Corporation.

The market reacted positively because the share price rose to 725c. Two months ago the price started losing ground and fell from 740c to 675c. At current levels, the historic P/E ratios 10. Although somewhat above the industrial average of less than 8, FSI appears deserving of a premium rating. A major reason is the rand hedge status it affords - about 40% of group attributable income comes from its international interests.

FS Industries and its pyramid FS Group stand at the head of a group of companies that are focused on basic industries worldwide. The primary concern is on industrial organisations, consumer/retail businesses, international operations and the ownership of properties (the majority of which are occupied by group companies). It serves the full spectrum of the SA economy, from the mining industry to the family. More specifically, FSI has 97% of Worsack, 5% of W & A, 100% of Forn-Scaff (SA), and an effective interest of 58% to 100% in international operations. A notable change is that the engineering concern, National Bolts, is no longer directly held by FSI (attributable holdings reduce from 78% to 27%).

The reorganisation of W & A included its acquisition of a 50% shareholding in Hunts which will become a major industrial holding company in the FSI group. It embraces JSE-listed Natbolts, Gentyre, Aurochs and Tartrays (also listed in London), and unlisted Burhose and Hygena. Besides Hunts, W & A also has a direct interest in MacPhail, Home-makers and AAP Investment Corporation (listed on the London Stock Exchange). In the six months to June 1983 (before the reorganisation takes effect), it is expected that W & A, National Bolts, Form-Scaff and international operations will contribute roughly a third to group earnings thereafter. W & A will probably account for more substantial 50% of the total earnings of FSI.

At the end of 1987, FSI had a debt/equity ratio of 61%. After the reorganisation this reduces to 22% and, according to policy, will not rise above 60%.

FSI will be changing its financial year-end from June to December. Earnings for the 12 months to December 1987 amounted to 7c, a noteworthy rise on the previous year's 2c.

Stockbrokers are expecting interim earnings (June 1988) to approach 50c and the dividend to close in on 15c. The total paid in the 1986 year was expected to be approximately 100c, with dividend cover of about 3 times.

At a price of 725c, the forward P/E ratio (June 1988) is estimated at 7.9, and on expected earnings for the full 1988 year as calculated at around 7. Especially in view of its rand hedge quality, the share appears to offer good value for money.

**FS INDUSTRIES - Weekly closing prices**

<table>
<thead>
<tr>
<th>Week</th>
<th>Close</th>
<th>Moving Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>1025</td>
<td>1025</td>
</tr>
<tr>
<td>5</td>
<td>868</td>
<td>868</td>
</tr>
<tr>
<td>10</td>
<td>695</td>
<td>695</td>
</tr>
<tr>
<td>15</td>
<td>538</td>
<td>538</td>
</tr>
<tr>
<td>20</td>
<td>365</td>
<td>365</td>
</tr>
</tbody>
</table>

FSI's share price remains in an upward trend and should appreciate above 733c in the immediate future.
BUSINESSMAN OF THE WEEK

BY DICK LUSER

Pay off decisions hard.

Seizing
Cement industry applies to board

part of a package of recommendations on businesses which practised price collusion, among them the liquor and pharmaceutical industries.

Meanwhile, the construction industry has been awash with rumours that the three cement producers have been talking to each other about merging.

All three producers have denied the rumours and said chances of achieving a monopoly were minimal given the strict attitude of the board.

PPC director Charles Hollmann said the rumours may have arisen because there had been a rationalisation in production. That happened when one company reached its production quota limit and called on another producer in the area to meet its demand.

The cement industry has not recovered the turnover it had in 1981 since the drastic drop in the market during 1984.

Production levels at this point are comparable to those in 1979 with demand close to eight-million tons. Production capacity is about 25% unused.

Wroegemann said, however, there had been a 10% upturn in demand compared with last year.

The PPC Dwaalboom plant near Rustenburg, completed in 1981, is still in mothballs until demand picks up.

"This is one of the benefits to the consumer of the cartel: We have not built into the cartel's price our need to see a return on our Dwaalboom investment. In fact, ROI in the cement industry is low. Our company only has about a 15.6% ROI."
Blue Circle beats market expectation

By Ann Crotty

Higher volumes helped boost operating margins at Blue Circle and were a major contributory factor in its being able to surpass profit expectations for the six months to June

On a 29 percent increase in turnover to R227 million (R176 million), Blue Circle boosted operating income by 70 percent to R48.4 million (R27.6 million). This represents a surge in margins from 15.5 percent to 21 percent.

Group financial director Angus Morrison says the increase in volume was achieved in all divisions and that this resulted in better utilisation of productive capacity.

Given the important contribution cement makes to group profit (somewhere in the region of 50 percent), it is likely that the biggest boost to the improvement in margins came from this division where industry volumes are believed to be up by 10 percent. This has led to a significant improvement in cement capacity utilisation, from around 60 percent in financial 1987 to 70 percent currently.

Sales at the cement division have benefited from price increases in the order of 10 percent since June 1987.

The directors say the major contribution to the profit improvement "flowed from materials and engineering divisions, while the cement division continued to operate efficiently and benefited from volume increases."

Finance charges were down 21 percent to R8.3 million (R10.5 million). If it had not been for a sharp increase in the tax rate, from 16 percent to 45 percent (including an allowance for deferred tax), which was equivalent to R18 million (R2.8 million), the group would have been able to report a twofold increase in earnings.

Despite the heavier tax burden, Blue Circle managed an excellent 45 percent improvement at earnings level to R25.5 million (R17.6 million). This is equivalent to 92.8c a share (94c), from which a dividend of 30c (30c) has been declared.

Management is forecasting earnings for the full year of 20c (15.2c), with market conditions expected to continue at current levels in the second half. Given the strength of the first-half performance, earnings of at least 21c a share seem attainable.

Farther down the line, volumes of cement sales are expected to hold up into the first half of 1989, with the consequent benefits to capacity utilisation and operating margins. But the second half could suffer some weakness in demand.
By Don Robertson

CEMENT industry fears are growing that its pricing and delivery cartel will be abolished in September.

It has applied to the Competition Board for exemption.

The three major producers — Pretoria Portland Cement (PPC), Anglo-Alpha and Blue Circle — are worried that if they are forced to compete, cement prices will rise to cover the additional cost of setting up marketing and distribution divisions.

Thereafter, however, prices could decline to the benefit of the consumer, but it could make additional investment in production facilities unprofitable. As a result, if sales continue to rise, shortages which could hamper the construction industry might arise.

In terms of a Competition Board agreement, the delivery and pricing cartel has been allowed to continue until September after claims that it is beneficial to the consumer. The board is due to meet in August to reassess the position.

With a total capacity of about 11-million tons, the industry is operating at about 85% of capacity and can meet an increase in demand.

However, a factory could cost up to R500-million to construct and if any additional risk is involved, such as a decline in cement prices, finance could be difficult to raise.

PPC's R200-million Dwaalboom plant in the Transvaal was mothballed before it produced a ton of cement because of the decline in the market two years ago. The plant will not be reopened this year and probably not in 1989 either.

However, in spite of the cartel, industry chiefs do not agree on prospects for the market.

Charles Hollman, commercial director of PPC, says industry sales this year will probably rise to about 8.5-million tons from 7-million last year.

Ronnie Searle, deputy managing director of Anglo-Alpha, says sales will be about 7.7-million tons this year.

Mr Hollman says that cement prices will be raised by about 7% in October. There was a 7% increase in May. The increases reflect the rise in the cost of coal and rail tariffs.

Mr Searle says sales volumes picked up in August last year and in the first six months of this year, sales have increased by between 11% and 12%. However, he expects sales for the year to rise by about 10% and continue at this level until the end of next year.

The programme to build sub-economic and affordable homes in various parts of SA is expected to boost sales. The Lesotho Highlands water project and the Moss gas development are not likely to add to sales this year.

Anglo-Alpha is operating at about 70% of capacity, excluding the production available from mothballed plants.

The company has also increased the sale of blended cement, which is mixed with slag from Iscor or ash from Eskom.

Mr Searle says that even if Government allows the cartel to continue, "we will never be the same again."

"We will always have to be on guard as the Government could change its mind on the cartel at any time."

There is also little chance of increasing exports as rail tariffs from most factories to the coast are about R30 a ton. This compares with cement prices of about $25 a ton in Europe.

Time-share sales rocket

MORE than R3-million of sales has been achieved in the July season by Durban-based developer Ovland Timesharing.

Top sales were at the new luxury beachfront resort Coconut Grove Cape Town's Bantry Bay and St Michael's Sands on the Natal South Coast, contributed well above budgeted amounts.

Managing director Trevor Coppen says the industry is entering a new, more mature and competitive phase.

Total sales were nearly R100-million in 1987-88 — a boom year — but Mr Coppen believes rapidly increasing development and marketing costs will depress profit margins.
CEMENT CARTEL

Is the end near?

Government sources believe the Competition Board (CB) will apply the brakes to the cement industry's cartel at the end of September.

But CB chairman Pierre Brooks says the matter isn't as clearcut as that. The board will meet on August 10 to discuss the issue and will report to Administration and Privatisation Minister Dawie de Villiers. He will make its findings known.

The CB's opposition to the cement cartel is well-known. Brooks says: "It isn't in dispute that the CB does not like the way the cement industry operates. But the industry argues there are special circumstances that warrant complete or partial exemption from the provisions against horizontal collusion."

"The cement industry will have to convince the board it should be allowed to operate as a cartel. But the minister will have the final say."

The industry argues that putting an end to the cartel would lead to increased cement prices as producers would be forced to set up separate marketing and distribution operations.

CB officials recently visited other countries to see how cement industries operate there. Brooks says the CB is sensitive to the disruptions which could be caused by ending the cartel, so it allowed the cement industry to use several "escape clauses" in the legislation to apply for exemptions.

"We always intended to phase in the prohibition of monopolies and cartels smoothly. That's why we allowed them to apply for extensions of six months and a year," says Brooks. "The cement industry was given several. The current one expires at the end of September."
Warning of snags

The Lubner brothers are concerned. They forecast a further improvement in profits from last year’s record high, but they warn of a host of possible snags. They are not alone in this — practically every company reporting... 

Activities: Glass manufacturing, processing and selling glass, timber, board and aluminium products

Control: Placor has 49.7% of the equity. Placor’s largest shareholder is Liberty with 30.4%. The directors own 24.4% of Placor.

Executive chairman: B Lubner and R Lubner

Capital structure: 6.5m ords of 50c each, 0.6m “B” 8.5% non-redeemable cum prefs of R1 3.75m, 8.5% red cum prefs of R1, 6m variable rate red cum prefs of R1, 6.4m “B” variable rate red cum prefs of R1. Market capitalisation R73.3m

Share market: Price 4.45oc Yields 4.2% on dividend, 9.0% on earnings, P/E ratio, 11.1, cover, 2.2 12-month high, 4.60oc, low, 2.700c Trading volume last quarter, 167,000 shares

Financial: Year to March 31

<table>
<thead>
<tr>
<th>'85</th>
<th>'86</th>
<th>'87</th>
<th>'88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>62.4</td>
<td>85.1</td>
<td>122.0</td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>74.8</td>
<td>99.3</td>
<td>129.0</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>0.44</td>
<td>0.20</td>
<td>0.75</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0.47</td>
<td>0.43</td>
<td>0.35</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>3.50</td>
<td>2.38</td>
<td>5.17</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>0.64</td>
<td>0.50</td>
<td>0.45</td>
</tr>
<tr>
<td>Debt cover</td>
<td>0.50</td>
<td>0.45</td>
<td>0.35</td>
</tr>
</tbody>
</table>

Performerance:

<table>
<thead>
<tr>
<th>'85</th>
<th>'86</th>
<th>'87</th>
<th>'88</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>16.4</td>
<td>12.6</td>
<td>13.9</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>1.35</td>
<td>1.57</td>
<td>1.89</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>127.0</td>
<td>130.2</td>
<td>137.5</td>
</tr>
<tr>
<td>Pre-tax margin (%)</td>
<td>11.0</td>
<td>7.6</td>
<td>8.2</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>54.4</td>
<td>51.9</td>
<td>71.9</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>201</td>
<td>202</td>
<td>305</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>156</td>
<td>156</td>
<td>145</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>15.0</td>
<td>17.1</td>
<td>19.4</td>
</tr>
</tbody>
</table>

These days that are condered’s latest curbs on credit could slow turnover growth. And outside the country there is a growing danger of political action against SA firms.

Last year, foreign operations provided 64% of Plate Glass’s (PG) sales and 30% of its earnings. That contribution is an irresistible rand hedge, which helps explain why the share price is currently only a touch below its 12-month high. Though times are not normal and SA-owned firms face growing problems abroad, there is no pressing need to ignore PG’s rand-hedge attraction.

Several options are open to avoid the problems of being SA. The most extreme would be for PG to follow the example of Rembrandt and hive off its offshore interests. South Africans would remain as shareholders, but growth through acquisition would gradually whittle away the proportion of the off-shore firm owned by investors here.

The other obvious tactic is to maintain as low a profile as possible. Competitors are generally SA firms’ worst enemies. PG realises this and will run its foreign businesses so as not to antagonise competitors. That implies a fairly inaggressive approach to the market and acceptance of a comparatively low market share.

At home and abroad, a repositioning is in progress. The aim is to get as close as possible to the final consumer and to withdraw from major contracting businesses. The Lubners expect PG eventually to become the largest company in the world specialising in motor glaas replacement. Again, though, that will need to be a low profile development.

In SA, the glass division experienced strong demand in the latter part of the financial year and it is expected to continue well into this year. Presumably this will swing the earnings mix back towards SA as current developments abroad are designed to generate long-term rather than immediate profits.

The timber products operations are in much the same position. Abroad, politically motivated hazards are increasing, and the chairmen are concerned that sanctions could cut earnings. They appear more concerned about the timber division than the glass division. Timber products provided only 40% of group sales last year and 30% of earnings, so the greatest effect of sanctions seems likely to be on the least important division. At home, on the other hand, better demand has led to improved plant utilisation and, for the present, the domestic market could make good on any declines abroad.

The share’s market rating owes more to its perceived rand hedge attraction than to immediate growth prospects. SA consumer demand is uncertain, while foreign sales have not yet been affected by the expected international recession. A less favourable rating is not out of the question.
Gypsum industry being probed

By Des Parker

DURBAN — The Competition Board is to put another major sector of the building materials industry under the microscope when it launches an investigation into the gypsum industry.

With the cement industry sweating under the threat that its pricing and distribution cartel could be abolished in September, the Government has ordered an inquiry in terms of the Maintenance and Promotion of Competition Act into Gypsum Industries, which mines gypsum to make moulded products and board.

A notice in the Government Gazette this month invited written representations with reference to any restrictive practices and monopolies in the gypsum industry to be sent to the Competition Board by August 7.

Pierre Brooks, chairman of the board, says the investigation differs from the cement study in that it is being conducted in terms of the Act, while the cement inquiry was instituted after the crackdown on collusion and price-fixing ordered by the Government a few years ago.

The cement cartel warned at the weekend that scrapping its inter-company arrangements would result in higher prices.

JSE-listed Gypsum Industries is the only manufacturer in the country of products made from gypsum. It holds an estimated 80 percent of the market for ceiling and plaster boards, out-selling its competitors manufacturing with wood, plastic and asbestos-cement.

Dr Brooks says: “We would be more concerned with any finding that there is an abuse-of-a-monopoly situation, rather than that there might be a monopoly, per se.”

The Act allows for the board to recommend to the Minister of Trade and Industry that an industry be demonopolised.
CEMENT CARTEL

Twisting government's arm

The cement cartel has struck a powerful blow for political lobbying by persuading the Competition Board (CB) — and ultimately government — to exempt it from antitrust legislation.

This week's announcement by Administration and Privatisation Minister Dawie de Villiers that the cartel has won its two-year fight for exemption is seen in some quarters as a climb-down by Pretoria.

The CB is known to have initially opposed exemption. As recently as last month government sources said they expected the CB to rule against the cartel. However, from the very beginning, senior CB officials admitted privately that intense behind-the-scenes lobbying could influence a decision.

Anglo Alpha deputy MD Ronnie Searle says: "We made sure our voices were heard at the highest government levels."

CB chairman Pierre Brooks confirms there was lobbying at senior government level but insists the decision to grant exemption was the CB's alone. "There has been no pressure on us from government to do anything."

The cartel — comprising Anglo Alpha, Pretoria Portland Cement (PPC) and Blue Circle — has won exemption on all counts: market sharing, horizontal price collusion and collusion on conditions of sale.

The CB says the exemption is not a licence to profiteer. The board will continue to monitor producers' profitability and pricing structure. Brooks says it will reconsider its decision if the cartel abuses its position. He argues: "It's much easier to revoke an exemption than to put a cartel back together again. Disbanding a cartel such as this is irreversible. This way, we can rectify and correct."

The cartel has made some small concessions of its own. Brooks says producers have promised to reduce the role of the Cement Distributors' Association so consumers can buy direct from the factory.

"We also asked them to look at an appropriate discount structure that was last year and they undertook to do so. In our official notification to the cartel of our decision, we will tell them to adhere to that."

Searle adds: "In consultation with the board, blended cements, such as those extended with ash and slag, have been excluded from our market-sharing arrangements."

For the cement industry the CB decision is a triumph of vested interests. Searle says "Cement is a strategic industry, and is especially important when it comes to dealing with the backlog in low-cost housing."

"We can't afford to be held to ransom by imports."

The CB adds it is convinced the end of the cartel would have no long-term impact on price. Brooks says: "In the short term, there might be a price war but this could lead to the demise of at least one company, leading to shortages in the long term."

He adds that a dogfight might also lead to at least one, and possibly two, producers being forced out of the market or taken over. The end result would be a monopoly, rather than a controllable cartel.

Such an outcome is unlikely, considering producers' financial health. The R3bn industry is in a very sound state, with all three producers reporting excellent results. It has grown fat in spite of overcapacity. PPC's 600 000 t Dwaalboom plant, commissioned in June 1985, has never been used.

An alternative outcome, says Brooks, would be the replacement of a formal cartel with the informal variety. "Often cartels are replaced by an informal collusion arrangement and we would be hypocritical to abolish the cartel and turn a blind eye to such arrangements."

So far, he says, the industry has acted responsibly and price increases have been lower than for other building materials. Indeed, he adds that there have been cost savings because of the centralisation of distribution, services and marketing.

None of which will convince those who believe that if you have a policy of open competition in a free market, you should stick to it — and not be side-tracked by special interests. Government sources say that, whatever the cement cartel's arguments, the exemption of such a powerful group is seen as a watering down of government's commitment to competition.

Whether or not the cartel's lobbying was what decided the issue — and it's hard to believe otherwise — Brooks is quite correct when he says: "We always knew that whichever way we decided this, we would be criticised."
In the public interest, says Competition Board

Cement industry gets exemption as a cartel

THE cement industry cartel was yesterday granted exemption as a cartel by Competition Board chairman Pierre Brooks.

He said, in his opinion, the termination of the cartel would not be in the public interest.

Brooks said the exemption be granted to the cartel — consisting of Pretoria Portland Cement, Anglo Alpha and Blue Circle — came after the board unanimously recommended granting it.

The board considered an application from the cartel on August 10, in which the board was asked to exempt the cartel from the prohibition regarding horizontal price collusion, horizontal collusion on conditions of sale and market sharing.

Brooks said the board had investigated certain aspects of the cement industry on two previous occasions.

“In September 1981 the board found no reason for government action against the cement industry and recommended that price control be abolished.”

“In March 1984 it was found that the restrictive practices were not, on balance, against the public interest at that stage,” he said.

Brooks said the cement industry had, over the past two years, taken concerted steps to increase the degree of competition in the industry.

Any termination of the cement cartel could not be viewed in isolation from a number of aspects, he said.

These aspects were “the existence of spatial monopolies, vertical integration, such as the producers' interests in cement distributors, joint ventures such as Natal Portland Cement, the production of slag cement and the purchase of fly-ash, the location of raw materials and the most important markets, and the long distances cement has to be transported, together with the disadvantageous volume/value ratio of cement.”
Cement industry cartel to stay.

The competition board has granted the request of the cement industry (Anglo Alpha, Blue Circle and Pretoria Portland Cement) for exemption from the prohibition regarding horizontal price collusion and horizontal collusion on conditions of sale and market sharing.

The board's recommendation follows an extensive and prolonged investigation which included a comprehensive study abroad. Dr PE Brooks of the Ministry for Administration and Privatisation said the industry had, over the past two years, taken concerted steps in consultation with the board to increase the degree of competition in the industry. "In view of this and other factors, I am of the opinion that the termination of the cartel will, on balance, not be in the public interest." In March 1984 the board found that the restrictive practices were not, on balance, against the public interest at that stage. — Sapa.
Ready for use ... but
brick production is changing

reached a plateau after growing steadily since last year. Production capacity utilisation at Corobrik, for example, has increased from 58% in June 1987 to 82% now. But the industry is cautious.

Corobrik is already committed to reopening facilities in the Free State and Natal but has no plans to open further plants, says Keith Nurcombe, national sales manager of holding company Toncor.

The Redhill plant in Durban, which has been closed since mid-1985, is scheduled to reopen this month and will produce 65m bricks a year. The Odendaalsrus A plant in the Free State will open to increase capacity in the goldfields region from 8m to 25m.

Nurcombe says, “We don’t get clear signals from the building industry on future demand so our crystal ball is very cloudy. It would be foolish to reopen a factory only to find we had overestimated demand and then have to dismiss the workforce.”

The alternative has been to keep low stocks and risk shortages. Stock cover has fallen from 65 days to 30 days.

Demand for bricks from the traditional upper and middle white residential and non-residential markets has declined, he says. But this has been more than compensated by the upsurge in black, coloured and Indian housing and, in particular, the replacement market.

“We’ve had to move our product range towards cheaper bricks. Demand for housing in black areas doesn’t fluctuate with interest rates and economic confidence in the same way it does in the white community.”

At the Sasolburg concrete plaster brick plant, production has been reduced from five machines to four. Corobrik Transvaal MD Brian Waberski expects further declines as the economy slows down but adds “There should be some overrun in the building industry as plans which have already been committed are carried out. We may not see a significant fall-off before the middle of 1989.”

---

**BRICK PRODUCTION**

**Lowering sights**

Like their cement cousins (see above), brick producers are starting to lower their sights. The difference is in the level of reduced expectation. Demand for bricks appears to have...
CEMENT INDUSTRY (193) 10

Back to business

Celebrations in the cement industry, since
the Competition Board agreed to exempt the
cartel from anti-collusion legislation (Busi-
ness August 26), have been short-lived
The industry faces a slowdown in cement
demand because of the latest government
measures to curb the overheating economy.
The demand for home building, especially
in the white market, has diminished and high
interest rates are expected to reduce capital
projects.

Says Cement Producers’ Association CE
Vincent Bray: “Demand was growing by
10% for the first half of the year, compared
to the first half of 1987, but we expect overall
demand for the year to increase by only 6%.”

This will bring cement sales up from
7.02 Mt in 1987 to 7.44 Mt this year — still
a long way from total industry capacity of
12 Mt.

Of course, thanks to the cartel, poor de-
mend doesn’t mean lower prices. Bray says
prices aren’t related to demand but to cost.
Higher transport tariffs from Sats, which
account for 40% of final cost, and increased
power costs have been the main reasons for
price rises. Labour costs are not very signifi-
cant.

SA Federation of Civil Engineering Con-
tractors (Safec) executive director Kees Lagaay
says the cartel should take more notice of
demand. “We’re told we should be grate-
ful”, cement prices have risen slower than the
inflation rate. But why should all price in-
creases be pegged to CPI? Cement produc-
ers make excellent profits even though prices
are tough for customers in the construction
industry.”

Meanwhile, reaction to exemptions from
collusive practices is starting to surface. The
law is designed to prevent market sharing
and price collusion, yet several offenders —
such as pharmacists, advocates and non-
cement producers — have been let off the
hook.

The coal industry, which has seen the
ending of the domestic marketing activities of
the Transvaal Coal Owners’ Association
(TCOA), has written to government dem-
anding an explanation.

Says a senior coal industry source: “This
book can only be seen as an inconsistency. What
makes it worse is that cement cartel is a
monopoly, while non-TCOA coal producers
account for more than 30% of the local
market.”

Cement industry spokesmen claim not to
have any special lobbying power. Says Pre-
toria Portland Cement commercial director
Charles Hollmann: “The FM implied that
we have special access to government, yet it
didn’t consider that we had convinced them
with sound commercial arguments.

“The end of the cartel could lead to price
reductions in the short term but they
wouldn’t last if a company had to withdraw
from the market. And we wouldn’t have to
delay modernisation and replacement of
plant if there was no stability in the market.
Moreover, we can lower our costs by sharing
marketing and distribution networks.

“If we were competing against each other,
transport costs would soar and it would not
necessarily lead to lower prices. You can’t
expect textbook economics to work in all
cases.”

Lagaay says Safec doesn’t necessarily
want a free-for-all, but there is a need for
more price competitiveness: “They seem to
have got away scot-free.”

That’s certainly a feeling others share.
PPC profit buoyed by cement division

By Ann Crotty

A strong performance by the cement division made a major contribution to PPC's 49 percent increase in attributable profit for the 12 months to September.

The figures for the full year show that the second six months were even stronger than the solid performance reported in the first half.

The directors say "The company again showed its traditional upturn in the second half, in which R47.7 million — just over 60 percent — of the year's earnings came in."

At the interim stage the directors were not risking their credibility when they said they were looking for a "satisfactory" earnings increase for financial 1988. They regard the actual performance achieved as "most satisfactory."

On a 25 percent increase in turnover to R508.8 million (R470.9 million), the group lifted operating income 38 percent to R142.9 million (R103.9 million). This reflects a strong improvement in operating margins from 22 percent to 24.3 percent, which, in turn, reflects the higher capacity utilisation in the cement division.

The group is making rapid progress in getting back to the 23 percent margin achieved in financial 1985.

A reduced level of borrowings enabled the group to cut its interest bill by 30 percent to R6.3 million (R6.9 million), despite the higher interest rate environment. Thus, combined with a doubling in investment income to RR14.8 million (R7.4 million) and an unchanged tax rate, left taxed profit showing a 48 percent surge to R80.3 million (R54.2 million).

Earnings per share, on an increase in the weighted number of shares in issue, were up 46 percent at 202c (138.3c), from which a dividend of 100c (60c) is being paid.

Financial director Mr Chris Wrogemann says the increase in profits "reflects the combined benefits of a more active building and construction industry and a sharply focused programme to improve operating efficiencies."

The cement division increased sales by 30 percent and pre-tax profit contribution by 46 percent. Sales in the lime division were up 15 percent (marginal in real terms) and profit contribution rose 21 percent.
Search for a cheaper brick is bearing fruit

By Norman Chandler

The search for alternative methods of building walls to cut housing costs is beginning to pay dividends — and the cement and soil block business is now worth more than 15 percent of the R300 million brick-and-block business.

The biggest brick-making concern in the country is now manufacturing what it calls an economical brick, a Zulu tribesman is making a soil and cement block in a remote part of Natal, and a soil brick manufacturer has just been given a standards certificate to go ahead with production.

Their innovative building inventions are all part of the campaign launched by The Star to House out People (HOPE).

Corobrik Transvaal has started to market what they term “an attractive, versatile and cost-effective”, brick, known as a Jem. A single brick replaces two plaster and face bricks normally required in conventional building.

It is being used on five housing contracts involving the construction of 4,000 homes at Alexandra, Dedzuza, Soweto, Emmerdale and Welkom.

The new brick is said to speed up the building process, and conforms to all national building regulations. It has been given a certificate of strength by Botswana’s Material Testing Services at the request of the Botswana Technology Centre, attached to the University of Botswana.

Since information on the soil brick was first published in The Star as part of the HOPE project, enquiries about the product have been received from all over the country and from Swaziland, Lesotho, Lebowa and Gazankulu.

A spokesman for soil brick manufacturer Uniform Systems Marketing says his company is to soon build 24 houses for the Botswana government at a new development near Gaborone.

Home building costs are also coming down in the “Table Mountain” Tribal Authority area near Marmite, in Natal, with the opening of a block-making business.

A Zulu builder, Mr Enoch Ngubo, and Mr Des Shumain, new developments procurement manager for the Urban Foundation housing utility company, Azalea, are experimenting with cement and soil blocks.

Mr Ngubo expects to produce about 2,000 blocks a day, employing about 40 people.

The sand material at the site is said by the men to produce a rigid, acceptable block with a smooth plaster finish.

Mr Ngubo said this week: “I expect there will be a major switch from wattle and daub houses to the more sturdy and longer-lasting block-built homes in this area.”
Strong Saficon revises year’s target upwards

By Ann Crotty

Saficon, which operates primarily in motor retailing and has investments in the building materials industry, has reported a 50 percent increase in turnover and an 89 percent surge in operating profit for the six months to end-September.

Earnings per share shot up 84 percent to 105c (57c) and the interim dividend was increased 54 percent to 17c (11c) a share.

First half performance was strong enough to encourage management to revise its full year earnings’ forecast from 16c to 18c a share, while the dividend forecast is revised from 49c to 54c. This puts the share on a prospective price/earnings rating of 3.7 times and a dividend yield of almost 10 percent.

According to the directors the performance in the first six months should more than offset the effects of the expected slowdown in the economy.

On a turnover increase to R616.8 million (R422 million), the group lifted operating profit to R32.7 million (R17.3 million) at the interim stage, reflecting a sharp improvement in margins from 4 percent to 5.3 percent.

A 58 percent increase in earnings from associates managed to compensate for much of the 89 percent surge in net interest (after tax and preference dividends) and left attributable earnings showing an 81 percent advance to R18.8 million (R10.4 million).

The directors note that the higher interest bill is a result of the group carrying R18 million fixed assets to finance vehicles under rental agreements of finance leases. "Arrangements with the group’s bankers exist to realise these assets when the funds are needed." This situation is reflected in the balance sheet as a massive surge in net loans from R17 million to R47 million. And in turn in the increase in gearing from 29 percent to 43 percent. (The 43 percent remains well within the group’s target level of 75 percent.)
Cementation slashes debt

and increases dividend

By Magnus Heystek

A sharp drop in interest charges boosted the bottom-line of the Cementation Company, a holding company active in specialist construction and engineering, in the year to end-September 1988.

Ultimate controlling company of the Cementation Company is Gold Fields of South Africa.

Turnover increased by a pedestrian 15 percent to R314,2 million, net income before interest and tax increased by 28 percent to R17,7 million, suggesting improved margins.

A substantial drop in long-term liabilities from R20,2 million to R13,4 million led to a reduction of 25 percent in net interest paid from R5,4 million to R4,1 million.

Despite a sharp upturn in the tax charge from R3,9 million to R6,4 million (an increase of 62 percent), the net earnings still managed an excellent increase of 88 percent to R5,9 million (1987 R3,1 million).

Earnings per share rose by about the same margin (87 percent) from 46c to 86c a share while the dividend has been increased by no less than 91 percent from 22c to 42c a share.

The balance sheet looks particularly sound with shareholders’ interest rising from R45,4 million to R48,3 million with long-term liabilities down to R13,45 million (R20,2 million).
Brick bottleneck eliminated

With the build-up of the informal building sector gathering tempo, the country's biggest brick producer, Corobrik has launched a new distribution strategy which will make supply easier.

A change in the pricing structure, too — there will be no impact on the cost of bricks — will also be a boon in stocking back-up service.

Under the new set-up the black builder will get bricks where he needs them and when he wants them.

Corobrik is breaking away from two price lists — one for the trade and one for retail — and combining both under one price which will carry volume and trade discounts.

"Our aim is to encourage distribution and stocking of bricks by distributors and merchants who are best placed to serve the informal sector and small buyer of bricks," says Mr Brian Waberski, managing director of Corobrik's Transvaal operation.

There will now be a time-and-cost saving for the small builder who will no longer need to go to the factory but will deal directly with a distributor, who in turn, will benefit through discounts.

"The increase in home ownership in the black market has brought major changes to the building industry," says Mr Waberski.

"Large numbers of new contractors have entered the market, leading to a dramatic upsurge in the volume of small transactions brick purchases."

Corobrik has established a network of appointed stockists who will be encouraged to offer a wide range of its products and to ensure that the small builder gets top service.

"We have also decided to base all future prices on the retail price schedules which have been in existence for a year," says Mr Waberski.

"Off this price list all customers will be granted discounts based on the volume of their orders. The recommended retail price list will come into effect on December 5."
Building boom boosts cement

PRETORIA Portland Cement, SA's largest cement and lime producer forecasts higher profits helped by an active building and construction industry.

PPC will show further earnings growth in 1988 but the projected growth will not match the 49% increase in earnings in 1988, which came from a low base in the previous year, according to PPC chairman John Hall.

"On balance, we believe 1989 will show a satisfactory improvement," he tells shareholders in his first statement as chairman.

"Assisted by continuing demand in the low cost housing and informal sectors of the market, we expect the building and construction industry again to be very active next year."

This is confirmed by large construction firms servicing several civil engineering projects, who report a high level of activity which will maintain growth in cement offtake, Hall notes.

The lime division is also expected to show growth, and associate companies' forecasts look promising.

Reviewing a year in which PPC increased its after-tax profits from R32.8m to R78.7m — and paid a best-ever total dividend of 100c, Hall says increased cement volumes, higher investment income and a reduced interest burden were the major contributors to the company's performance.

Cement demand in South Africa in 1988 was 12% up on the previous year. A further improvement of some 7% is seen for 1989.

He says PPC's strong cash flow will permit the internal financing of capex of R72m in 1989.
Penpin builds up Transvaal stake

RIDING high on its successful rights issue, Cape-based building materials chain Penny-pinchers is consolidating its foothold in the Transvaal.

The acquisition of the Craig Hardware Stores chain increases the number of Transvaal outlets to seven and it puts the enlarged group on target for turnover of more than R200-million in the year to December 1989. Turnover in 1987 was R64.3-million and this year it is expected to be R115-million after better-than-expected performances from existing stores.

The group's expansion in a sector with high promise has not gone unnoticed by the market. Penpin's 59.1% increase in the share value to 88c this year makes it the best performer in the JSE retail and wholesale sector.

Liabilities

The 37.5% increase of 80%-held subsidiary Penboard since January to 105c makes it one of the top three performers in the Development Capital Market.

Last week's simultaneous rights offers by Penpin and Penbord to raise R6-million were more than 90% subscribed, putting the group in a strong ungeared position to fund growth. The rights offer also gave established PG Bison a 25.1% stake in Penpin.

The Craig Hardware acquisition will give Penpin three outlets and responsibility for Craig's liabilities, says Penpin financial director Percy Bishop.

Stores in Craighall Park and Ferndale are expected to be major cash outlets and the third, near Lanseria Airport, will serve Johannesburg and Pretoria and will become the group's main bulk boards and building materials distribution centre in the Transvaal.

"It is ideally situated to serve our existing branches in the Transvaal," says chairman Fanie Mallerbe.

The new trading operations have a turnover of R35-million a year and three valuable properties, including 150 acres at Lanseria, are included in the deal.

Projected turnover for the Transvaal alone next year is at least R48-million says Mr Mallerbe.

"By the end of this year Penpin shareholders interest will be over R14-million. Net asset value will have risen from 51c a share at the end of last year to more than 80c," he says.
Lubner brothers reshape their offshore interests

The Plate Glass Group trades on four continents without disclosing the extent of its international business. Joint executive chairmen Ronane and Bertie Lubner say that "the multi-national nature of the group continues to expand but our shareholders remain South African." This is odd as in the latest annual report there is a company called Famco, where the joint executive chairman and two other directors hold 15.39 percent of Solaglass International NV, the company which holds all the group's non-SA glass interests. Solaglass International NV controls operating companies in Australia and the UK and previously the US.

Now the non-SA glass interests are being rearranged and the agreement dated March 29, 1979 is being amended. The majority of Famco's capital is personally controlled by the Lubners and two additional directors - Messrs B. Brodie and P. S. Marks. The four hold an option until July 1, 1989 to increase their present stake of 15.39 percent to 25.7 percent in Solaglass Int.

Famco can ask Plate Glass to acquire its interest in Solaglass Int at an auditor's valuation under certain terms and conditions. If Plate Glass sells its interest in Solaglass Int, then Famco has the option to follow suit. It is hardly likely as the Lubner brothers and partners have a nest-egg outside the country.

Convenient
How convenient but how can they wear two hats and how do shareholders view this situation? No one is saying just where are the investments held and why do four directors hold interests personally offshore which are now busily rearranging. A director's fiduciary duty is to seek shareholder approval where they are benefiting personally but even if they do get such approval, is this fair to all? It seems there is much cloak and dagger dealing and understandable so with sanctuaries sensitivity.

However, with a net asset value of R29.63 per share and a current JSE market value price of R46, clearly investors appear to be enjoying the ride and are happy to be kept in the dark. Below the line major adjustments reflect Plate Glass's policy decision to withdraw from major contracting activities both in and outside the country. Record results were achieved in 1983 but debt has also risen.


After deducting SA and foreign tax R37.21 million (R43.63 million), share of associated companies income R3.76 million (R8.73 million), outside shareholders' interest R37.58 million (R28.47 million) and the prefer dividend of R1.64 million (R1.31 million) the bottom line totalled a record R65.99 million (R50.24 million).

Net non trading items below the line of R5.57 million (R12.29 million) seemed insignificant but closer examination revealed a R37.29 million surplus on realisation of investments including subsidiaries and associated companies less a R12.55 million deficit on discontinued operations and R3.31 million goodwill written off. No details are furnished for these large write-offs. Earnings per share were 406.6c (305c) and the dividends upped to 185c (145c)

The geographic and divisional contribution is essentially unaltered since the Lubner brothers in Europe and North America the group is reaffirming its position in consumer glass markets. It could become the world's biggest single business specialising in the automotive replacement glass business and its sectors.

The joint chairmen warn that the long term developments in the foreign operations will not contribute to earnings in the immediate future but rather the reverse.

The wood division the PG Basin merger experienced strong demand in both its domestic and export markets. Mouldings and Frames International was successful in the non-SA arena, the manufacturing and merchandising division reported substantially improved earnings.

The legal claim relating to the acquisition of DIY was settled at R1.4 million.

Partnership arrangements have been internationally developed for the board and industry and are expected to bear fruit in 1989 with start-up costs already absorbed. Political pressures are being innovatively overcome to keep imports open.

Ordinary shareholders' interest has risen to R339.75 million (R262.83 million) at end-March 1980.

With pref capital and outside shareholders' interest the capital position totals R509.9 million (R437.27 million). Total debt has risen to R268.78 million (R252.85 million) with all foreign loans fully mortgaged.

Loans containing restrictive covenants relating to borrowing and shareholders' funds have been complied with. The net assets and earnings of certain foreign subsidiaries and associated companies are subject to foreign exchange control regulations. No details were furnished for the covenants or foreign regulations. Working capital is virtually unchanged at R74.05 million (R61.72 million).

The joint chairmen forecast a positive domestic economic outlook for the glass and wood divisions that should enable similar SA earnings growth to last year.

Outside SA, development costs will hinder earnings with less improvement resulting. Little is said about the so-called expanding international nature of the business which is understandably sensitive to currency fluctuations. One can appreciate the need for secrecy but the Famco directors seem to be keeping their options open.

Management has an obligation to shareholders and should not have the option of sitting on the fence, if anything happens to SA Directors emoluments were high at R4.54 million (R3.25 million).
MANUFACTURING - NON-METALLIC MATERIAL

1989

[Signature]

The Senate may permit a candidate to register concurrently for the degree of Bachelor of Commerce and the graduate diploma in Accounting. (Honours) and the degree of Bachelor of Commerce.

Concurrent Registration
Cement producers in drive to cut truck overloading

THE cement industry has taken the lead in a drive to cut the high cost of road damage caused by overloaded vehicles.

A study by the CSIR's Alex Vasser has shown that overweight vehicles cost South Africa about R135 million a year in damage to the road network.

A code adopted by the SA Cement Producers' Association to prevent overloading of cement trucks will come into effect at all plants and depots from today.

It will remain in force until new legislation is promulgated, says a Sacca spokesman.

The code, which gives maximum loads and drawings of vehicle designs and axle configurations, will be dis-played at all loading points.

"In the past hauliers have just arrived and said 'fill it up,'" says the official.

Cement haulage has moved steadily to road transport. Ten years ago 65% was moved by rail and the rest by road. Today more than 85% is carried by road. The problem has been compounded by "amateur" hauliers, including farmers, who carry cement as a return load.

Sacca says the industry has adopted the code in response to recommendations by a commission of inquiry convened by the National Transport Commission.

The commission was set up three years ago to "investigate and report on the transport of cement by road from cement factories in the Western Transvaal."

It recommended intensification of legislation covering cement haulage by road and that approaches be made to provincial authorities to simplify regulations on overloading.

"After the recommendations the Public Carriers Association appealed to Sacca members to refuse requests to overload vehicles.

"This was agreed to, provided an easily understandable code of practice to prevent gross overloading was drawn up by an independent body."

"The code has been drafted by the CSIR's road division and is being applied at all cement factories and depots."
Has Lucem a finger in too many pies?

In Lucem's latest annual report, chairman Mr Solly Kroek says the group has once again turned in a commendable performance, reaching a new record earnings level and completing three successive years of growth in earnings per share.

Why then has the JSE market price continued to slide from R1,65 a share 20 months ago to only 38 cents at present? The new asset value per share has climbed to 53,6 cents at end-March 1988 and for the second successive year dividends were paid.

Does the group lack a well-defined strategy or is it too involved in too many industries?

"The group is heavily committed in mining through its engineering and allied interests but it also dabbles in brick manufacturing in the Transvaal, motor spares and accessories, manufactures and supplies gas produced from coal and coal by-products to domestic and industrial users in Cape Town and sells laboratory equipment.

"Then there are the associated companies — a 20 percent stake in Bruma Lake Development now changed to a long-term property investment and 50 percent in metal abrasives manufacturing iron shot."

Clearly this mixed bag of investments is lacking single-minded focus by management. Some make profits and others hold back the group.

Now there's the tax man in the background. With the hefty tax losses almost used up, future earnings will be reduced by the resumption of tax payments.

Sales climbed to R86,96 million (1987: R75,86 million) with operating income R12,48 million (R9,11 million). A net interest gain of R1,15 million (R492,000) meant income before tax of R13,55 million (R9,6 million) The associated companies produced a loss of R3,000 (1987: Profit R13,500) and pref dividends were paid.

"Earnings for the year totalled R13,25 million (R9,03 million) giving earnings of 17,7 cents (12,5 cents) a share. Despite the accumulated loss to date of R6,79 million (1987: loss R17,01 million) ordinary dividends (1988:4 cents — 1987:3,5 cents) were again paid. The 42 percent growth in ordinary earnings excluded any profit from the Bruma Lake Development, which is a mystery."

The first phase has been completed ahead of time and the undisclosed financial results met budget. The second phase, Fisherman's Village is set to start and there is talk of a third phase. The investment is turning long term so the group is not accounting for profits at interim stages. Could this mean losses ahead?

The engineering and allied companies produced operating income of R9,59 million (R7,04 million) Margins are under attack and the engineering operations will have difficulty achieving 1989 growth.

Poor capex planning caused Brick Manufacturing to miss the unexpected and sudden upturn in demand. Operating profit was only R523,000 (R543,000). Provided demand is maintained brick operators should be a major profit contributor in 1988/89, says management.

Motor spares and accessories produced operating income of R80,900 (R363,000) suffering from greater competition and pressure on margins.

Capecas's profitability was severely eroded by severe, undisclosed cost escalations. The problems are serious and an operating loss budgeted for 1989. Unless a long term solution can be found, Capecas's future is in jeopardy.

The marketing and trading results of NT Lab Supplies were disappointing and management changed.

Heavy capex of R9.58 million is planned for 1989 (1988 R2,73 million) to expand the iron and steel foundry.

Should the company not be concentrating on the money-spinning engineering and allied industries?

A revised management plan appears necessary and investors need to be given the reasons for the steady downward trend in market price as the annual report does not disclose any
Blue Circle denies disposal of SA interests

From ROBERT GENTLE

LONDON — Blue Circle, the cement manufacturing giant which has just concluded a multi-million pound disposal of two Austrian and West German subsidiaries as part of a strategy to concentrate on its core business, yesterday denied that this heralded the imminent disposal of its SA interests.

A spokesman said the rationale behind the £11.5m deal, aimed at concentrating Blue Circle's activities on its core business of building materials and home products, would not be extended to SA, where Blue Circle has interests in numerous companies operating in property, engineering, home products and cement.

It was strictly a local affair, he said, and cited as evidence the fact that among the three companies sold in the deal was a British manufacturer of road tankers.

The three companies, though profitable, had been diverting "too much of management's time and effort."

Observers here note that previous divestments from SA have often followed such foreign disposals.

Late last year, the British pharmaceuticals multi-national, Glaxo, sold off its SA interests as part of what was described as a world-wide strategy to concentrate on its core business of pharmaceuticals.
LONDON — Blue Circle, the cement manufacturing giant that has just concluded a multimillion pound disposal of two Austrian and West German subsidiaries as part of a strategy to concentrate on its core business, yesterday denied that it heralded the imminent disposal of its SA interests.

A spokesman said the rationale behind the £11.5m deal, aimed at concentrating Blue Circle's activities on its core business of building materials and home products, would not be extended to SA, where Blue Circle has interests in numerous companies operating in property, engineering, home products and cement.

ROBERT GENTLE

It was strictly a local affair, he said, and cited as evidence the fact that among the three companies sold in the deal was a British manufacturer of road tankers.

The three companies, though profitable, had been diverting "too much of management's time and effort." Observers here note that previous disinvestments from SA have often followed such foreign disposals.

Late last year, the British pharmaceuticals multinational Glaxo sold off its SA interests as part of what was described as a worldwide strategy to concentrate on its core business of pharmaceuticals.
Outlook favours PPC

Pretoria Portland Cement (PPC) has shown a strong recovery from the levels to which it plunged after the 1987 crash.

The share price picked up in the initial weeks of calendar 1988 and for much of the year held to the R15 level.

In November, the release of sterling results set it off on another rise to its current level of R18.50.

The price of fellow cement cartel member Blue Circle, has followed a similar pattern. Blue Circle is currently offering a dividend yield of four percent and is off a P/E rating of 8.2 times. PPC's figures are 5.4 percent and 9.3 times respectively.

Also in the cartel is Anglo-Alpha, with a dividend yield of 4.7 percent and a P/E of 7.5 times.

PPC's ratings relate to last September's results, while the other two relate to December 1987.

The price improvements reflect the favourable outlook for building in general, specifically for the cement sector.

This means shareholders are looking to further improvement in the industry's return on equity (ROE).

In PPC's case, ROE showed a remarkable improvement in financial 1988 when it shot up to 18.9 percent (from the previous year's 14.3 percent).

Given the expected pick-up in utilisation of cement production facilities, the return this year should show a further increase.

Group return on equity took a knock in 1988 after the fall in demand for cement, which coincided with a massive investment in additional production capacity.

From a high of 20.5 percent in 1984, ROE dropped to 12.7 percent in 1986.

In financial 1988 capacity utilisation picked up from 52 percent to 59 percent. Management is expecting this figure to rise to the mid-60s in the current financial year.

As with many other major industrial companies, the favourable outlook for calendar 1988, which is at odds with many forecasts of sluggish growth, is attributed chiefly to the strength of the informal sector.

The pick-up in low-cost housing projects, which made a significant contribution to last year's figures, is expected to bump up demand.

Other areas showing promise include the use of concrete for road building, the Mossel Bay project and the Lesotho Highlands project. Management says it has already seen signs of take-off in both projects.

Although a general cut-back in government spending is expected, increases in the area of infrastructural development have been forecast.

The private sector looks like being the most fragile component of cement demand, although a certain spin-off from reasonable levels of investment spending is expected.

One of PPC's major attractions is its comfortable cash situation. At year-end the group had R68 million invested in the money market.

Interest received for the year was R5 million. The group has unused borrowing capacity of R40 million. Given that there is no need in the foreseeable future to increase existing production capacity, management is on the look-out for acquisitions.

Nothing specific is on the cards, but it seems investigations on this front will cover a wide area. Not only will businesses in the same industry be considered, but those in other industries, which use the same technology, could feature on the list of candidates.

In addition, any activity which would help increase the use of cement would be considered.
Keeley set for record tonnage

The KEELEY Group Holdings, the world's largest producer of dimensional granite, is set to achieve a record output of 300,000 tons for the year to February. Combined production from all quarries within the group is expected to be 50% up on last year's 200,000 tons, says executive chairman Fred Keeley. He says the year's output will comprise about 54,000 tons of sought-after black granite, 220,000 tons of Rustenburg dark and the balance in coloured granite.

Production levels have continued to expand in response to the increasing international demand for high quality SA granite, and the group achieved a record production of 40,000 tons in November.

"This figure includes more than 27,000 tons of Rustenburg granite as well as 4,000 tons of black granite from the Belfast area," says Keeley.

"With new quarries coming on stream in 1989, coupled with expansion of existing quarries, we estimate that our production for the financial year ending February 1990 will be close to 400,000 tons. More than 90% of this production will be exported. The granite is mainly produced against specific orders from customers and major clients have already indicated their requirements for the next two years," says Keeley.
Golden in the Dumps

JOHANNESBURG — Both gold mining companies administered by the Golden Dumps Group incurred losses for the December quarter after recording lower milling rates and yields which resulted in a drop in gold production.

South Reef tonnage fell to 81,771 (87,711) and combined with a lower yield of 2,41 g/t (3,22 g/t), gold production was down at 197,4 kg (280,3 kg).

Although working cost/ton were reduced to R96,10 (R106,07), a loss of R22,49 per ton (R0,26) was incurred.

The lower gold price received of R31,76/kg (R33,68/kg) abated a net loss of R1,3m (R8,000), in spite of a decrease in capex to R503,000 (R1,3m).

Consolidated Modderfontein tonnage dropped to 171,790 (186,720) while yield fell to 3,07 g/t (3,19 g/t). Working costs were marginally lower at R106,53/ton and working loss per ton increased to R10,91 (R3,43). Gold price received decreased to R31,76/kg (R33,29/kg) and the loss rose to R22,9m (R960,000).

The mothballing of No 1 shaft will aid a decrease in unit working cost. — Sapa

However the directors regard the 10,6% annualized return on investment, based on replacement cost depreciation as still being insufficient to maintain fully the capital of the business and to provide sufficient surplus funds for expansion.

Nevertheless they are confident of a strong second half and the results at the year end in June are expected to be higher than the R18,61m profit posted last year.

Evertite Holdings (Evhold) reported net income attributable to ordinary shareholders of R7,23m (R3,47m) and a dividend of 22c (13,5c) on replacement cost EPS of 43,4c (20,8c). — Sapa

Money market shortage climbs to weighty R3,5bn

JOHANNESBURG — The buoyant building market and the restructuring programme undertaken during the last 18 months helped Evertite achieve an increase of 111% in net profits to R13,9m (R6,19m) for the six months ended December. This prompted the directors to increase the interim dividend by 66% to 7,5c (4,5c), restoring dividend cover to two times. Earnings per share for the period increased to 14,8c (7c).

Turnover increased by 11% to R180,76m (R162,46m), while operating margins improved to 13,3% compared with 9% for the corresponding period last year.

From GRETA STEYN

JOHANNESBURG — The money market shortage — the banking sector’s debt to the Reserve Bank — has climbed to a massive R3,5bn as the liquidity squeeze continues.

The shortage of cash in the market arises largely from government’s huge deposit with the Reserve Bank. The central bank, mindful of the abnormal situation, has kept a lid on interest rates by supplying extra cash.

Trust Bank economist Nick Burnardt said "the artificially high exchequer surplus of over R5bn is the main factor driving the money market shortage toward an effective month-end level of R4bn."

Economists criticised the lop-sided nature of government’s borrowing and spending. This had caused "cash-flow problems" in the money market, creating a situation where the current liquidity crisis would be followed by a flood of cash when government starts spending.

Nedbank’s Edward Osborn said it was unfortunate that government had chosen to borrow from the market at a time when liquidity was tight in December. This had aggravated the squeeze caused by tax payments and the holiday demand for notes.

"Public debt management has been out of step with money market conditions," Osborn said.

Burnardt added that the huge money market shortage built up over December would take a long time to wind down. The market was already jittery about large end-February tax payments — a further drain on liquidity which could put upward pressure on rates.
FS Group enjoys a better rating

The sharp rise of listed companies in the FS Group stable this month is an indication that the market is now satisfied that the group's restructuring has been a success.

Wacor, which is almost wholly owned by FS Industries (FSI), has not moved in line and there is growing speculation in the market that its listing may be used to house additional assets to be acquired by the group.

The market has been critical about the FS group because it felt the restructuring was simply financial gymnastics and institutions did not show much confidence in it.

Good value

Also, the market felt the departure of Mr Brian Joffe was a negative factor and questioned the staying power of other top executives within the group.

But since the end of December FSI has shot up from R3,50 to R6, W&A from R30 to R49, Hints from R35 to R75 and FS Group from R3 to R3,50.

Companies within the group are now attracting a great deal of attention from institutions and dealers say their respective share prices should move still higher.

They say that W&A, for instance, still offers good value, despite its rapid rise over the past couple of weeks.

At R49 a share, it is on an historic P/E of 6, compared with the sector average of 8,4.

The group's results over the past eight years are astonishing.

In seven years, turnover has grown elevenfold to R1,3 billion and pre-tax profits 203 times to R122 million.

In the five years since FSI was listed, earnings a share have risen at an average compound rate of 74 percent a year.

With rationalisation out of the way, the market is now waiting to see what the group is going to do with Wacor, whose only investment is a 49,1 percent stake in W&A.

It is not in the nature of the FS Group to have listed companies doing nothing, which is basically the story with Wacor.

Because it is 97 percent-held by the FSI, it takes money from W&A with one hand and hands it over to FSI with the other.

An annual income of about R18 million is expected from Wacor in the first full year.

Nothing imminent

Company sources say although it is inevitable the group will do something with Wacor, nothing is imminent.

An informed source said yesterday the group would almost certainly do something within the next year.

"If makes no sense for Wacor to lie around doing nothing. The group will probably inject a big company into it as soon as it sees a situation," the source said.
Anglo Alpha strides ahead

A STRONG second-half performance saw Anglo Alpha outpace management's forecasts for 1988 and underscored the group's ability to generate profit growth independently of its cement business.

Although the contribution from cement operations dipped marginally in rand terms, group earnings increased by 38.8% to 257.6c a share on a historical cost basis and by 55.7% to 199.6c on a current cost basis.

Net attributable income totalled R44.99m, 55.7% up on 1987's R28.9m.

At the halfway mark last year the directors forecast profit growth of at least 20% for the 12 months to December.

The final dividend of 65c boosts the year's total to 65c (1987 70c). The directors note that since 1987 the dividend growth has outstripped inflation, increasing by a compound 20.7% but the decline in the rand has reduced the value of dividends paid to foreign investors.

Higher sales volumes, favourable product mixes and sales price increases resulted in a 27% increase in turnover to R539.6m.

After improving plant utilisation and operating efficiencies, management achieved a record operating margin of 25.2%. This helped lift net income before adjustments by 71%.

A key factor here was the reduction in long-term borrowings from R158.4m to R87m made possible by a 64% increase in cash flow to R158.0m.

This almost halved the group's gearing to 38% (72%) — well below management's target of between 50% and 100%.

While liquidity tightened marginally (the current ratio dropped from 1.1 to 1), other ratios showed impressive improvements. The return on assets at 12% (9.3%) was the highest achieved since 1982 as was 23% (19%) return achieved on shareholders' funds.

During the period, the percentage contribution to taxed profits from the cement division dropped from 68.4% to 47.5%. However, in rand terms this was only a R1m decline to R28.7m. Profits from stone accounted for 13.5% of total figures (9.3%) while the group's industrial interests were responsible for 20.6% of group profits (19.1%).

Anglo Alpha's share price is trading at a high of R17.75, just 75c off its 1987 peak. At the current price the share yields 14.8% on earnings and 5.3% on dividends, offering better value than its competitors.

On a historical basis the share is already trading at a 48% premium to net worth of R11.99. On an inflation-adjusted basis, the net worth is R32.14.

Because Anglo Alpha's businesses are highly capital-intensive, it uses inflation accounting to ensure adequate funds are retained to replace productive assets at the end of their useful lives.
Anglo-Alpha earnings surge

By Ann Crotty 12/55

The final dividend was increased to 95c, bringing the total to 95c.

The hefty increase in the tax bill allowances resulted in a drop in the cement division's taxable income. The higher tax bill reflected the end of tax allowances enjoyed in the previous three financial years. The effect was to reduce the cement division's contribution to group earnings, from 64.4 percent to 47.5 percent.

The taxco figure hides a very strong performance from cement, with volume increases and productivity improvements resulting in a sharp increase in margins. Executive director Ronne Scarrle states that all divisions did very well, particularly the stone division.
Building suppliers hammered

By Frank Jeans

What have been termed monopolistic manufacturers in the building field have come in for a blistering attack by the outgoing president of the Master Builders' Association of the Witwatersrand, Mr Robert Gurniech.

Condemning the exorbitant increases in the price of materials, he told the MBA's annual general meeting yesterday: "These manufacturers have taken advantage of the improvement in the building industry.

"Why must we contend with rises in certain basic essential commodities such as clay bricks, which escalated 40 to 60 percent more than we were paying for the same product 18 months ago.

"And, of course, the cement industry cartel - the least said the better.

"Trading in the cement industry, now sanctioned by the Competition Board, cannot be accepted."

Mr Gurniech said that with the devalued rand, these manufacturers should export to the outside world so as to maintain their plants and justify their investments, rather than putting the cost of their products onto the shoulders of the building industry and client bodies.

"Although the Competition Board has been given muscle, it seems it cannot effectively use it to disband monopolies or cartels," he said.

"What the board needs to do is to implement measures to counter these practices by creating more competition."

Mr Gurniech urged the board to recommend lower customs and import duties on those materials subject to "monopolistic conditions."

This would, he believed, help create the necessary healthy competition among local manufacturers operating in a "cartel or monopolistic system."

"These protected industries have invariably grown by leaps and bounds due solely to the lack of competition, while the rest of the building industry ambles along and operates at nil or very low profits," he said.

"The MBA is setting up a price monitoring committee to take whatever action is necessary so as to contain material price rises."

Mr Phil Watters was elected President of the Master Builders Association (Witwatersrand) at the annual general meeting last night.

Mr Watters has been running his contract plumbing business for 34 years and operates throughout the Witwatersrand. He became a member of the MBA in 1956 and serves on the executive committee of the Building Industries Federation (Bifs).
SONDOR, the Cape-based company which manufactures special materials for the building and motor industries and dabbles in the film industry, has exceeded both turnover and earnings expectations for the six months to December and expects a further huge increase in earnings for the year.

An extraordinary item of R540,000 which relates to proceeds from the export of locally manufactured films, boosted Sondor's interim taxed profit by 172% to R1,76m. This converted into earnings a share of 7,54c (2,7c).

Financial director George Copeland expects year end profits, after extraordinary items, to be about R8m.

Turnover grew by 44% to R8,37m, prompted by economic buoyancy in the sectors Sondor supplies with its core product—a plastic closed cell material with a high polyester content.

Debentures

The company cuts, moulds and tailors the material for a variety of applications in the commercial, motor and building sectors.

Import replacement has contributed to the steady growth in business, says Copeland. "Users used to import the product because it was light and fitted into a container. Now the weight factor has been overtaken by value and it has become far cheaper to buy the locally produced material."

Sondor shareholders are benefiting from a provision that, as it was a close corporation before being converted into a public company in 1987, all dividends paid to private investors are tax free within a specified period.

Directors have decided to convert dividends, using all the company's profits and reserves until December, into non-interest bearing debentures which will then be credited to the shareholders' loan account.
BRICK 'n Tile, one of South Africa's leading distributors of bricks, is to open a brick centre in KwaTheema, on the border of Springs and Brakpan early next month.

This was announced recently by Mr Clive Gargan, market development manager of Brick 'n Tile.

Mr Gargan said the decision to build the KwaTheema brick centre was prompted by demand in the area for the comprehensive range of products and services offered by all Brick 'n Tile centres countrywide.

He said the centre, which was designed to cater for the needs of home-owners in the surrounding areas, would be a "a builder's paradise."

"We will stock and recommend tried-and-tested quality products. The centre is specifically designed for customer convenience and fast and easy selection," he said.

"We will do our best to meet all needs. No quantity will be too large or too small for us to handle," said Mr Kallie van der Walt, the newly-appointed manager of the centre.

Conveniently located in Witpoortjie Road, next to Tony Johnson's golf driving range, the 6 000 square metre brickyard is readily accessible to surrounding residential areas.

It will market a large range of products, including clay face bricks, matching special-shape bricks, clay pavers and roof and quarry tiles. The extensive range will be complemented by a wide variety of building products such as windowsills, air vents, grilleblocks, sand, stone and cement.
New Brick is Cheaper, Better

Home Improvements
New trend in designing houses

A STRONG new trend towards individuality in home design has emerged among architects, designers and builders, says Hariq Schroder, Transvaal regional manager of Brick 'n Tile.

"Decorative brickwork is becoming increasingly popular and a variety of special-shape bricks is now available to achieve that special finish every home designer wants to achieve."

"Design flexibility in bricklaying can be considerably enhanced by using these special-shape bricks, which put the end to slabs conformity and monotony of design." 

"These special shapes degree of dash and daring into building design, making the brickwork less is adding most attractive features at very little cost."

Brick 'n Tile's comprehensive range of special-shape bricks provides professionals within the reach of every home designer or builder.

The range comprises and weathermolds for the enormous variety of exciting standard face brick colours and textures and offers a wide choice when it comes to creating contemporary brick detailing internally or externally.

Says Mr Schroder: "The specials can be considered an art form. They come in many shapes - with curved tops, curved edges, simple angle joints, complex angle joints, arched angles and 'dust-off' corners, to name but a few.

"In most cases, relatively few special-shape bricks are required to add a distinctive feature or to give a stunning effect to an entrance."

"There can be little doubt that the aesthetic appeal of specials enhances the value of any building or structure."

One of the most versatile specials around is the mock bullnose stretcher on flat. Its shape, rounded off along the side of the brick, makes it suitable for neat edges, flower boxes, pool surrounds, garden-wall tops and for special brick features inside or outside the home.

The mock bullnose stretcher on flat can come in a wide choice of colours ranging from a light sandy shade to a deep red cinnamon and with textures to match or contrast most of Brick 'n Tile's standard face brick range - the largest in the country."

To help home designers all Brick 'n Tile centres have detail charts, wall charts, catalogues with useful design hints and miniature special-shape blocks to assist in design work. Qualified staff are on hand to advise on quantities required for any project.

Our staff offer professional advice to customers and architects on site - to assist them in the practical and decorative features and usage of specials - enabling them to translate creative ideas into exciting realities," says Mr Schroder.
Basil Read starts to run on a granite base

BASIL Read's annual report to June 1988 indicated that the building and construction group had begun to quarry black granite, but it was not until a warning announcement three weeks ago that the share price began to run.

Granite has become the JSE's darling mineral. The three listed producers are booming. Almost all production is exported, making granite a good rand hedge.

Markets are firm - they can take everything produced.

ALLIED

Basil Read financial director David Wassang says his group's granite interests handily contributed to the outstanding bottom-line figures published on Friday.

"It is a capital-intensive business, and we have made a healthy profit. We have been going for nearly a year, and the returns will start to come now."

Mr Wassang says his group bought into Aurora for a song and sold it to a German company for a profit. "We managed to get 25% of Aurora, but we raise its stake and sold it for a profit."

"We intend to sell Aurora to raise capital," says Mr Wassang.

The other area into which the group has moved is property development. So far the limited number of projects have been successful. They include a 5,500-unit townhouse development at Potchefstroom and the R1 million Quaggastrum Rocking complex in Pretoria, which was sold to Lefoko.

Property development involves identifying, obtaining, servicing, building and marketing right from scratch. Mr Wassang is enthusiastic about the group's future in this field.

The housing division has been satisfactory, although it involves high risk. "We have stayed out of the black housing market to a large degree, especially in rural areas. Most of our housing has been in coloured and Indian areas, where the market is holding up well." Profit margins on houses are not high, but the cost of administration is proportionately higher on a low-priced house than it is on higher-priced ones. In addition, increased bond rates make it more difficult for buyers to repay their instalments.

Basil Read's building company is doing well, says Mr Wassang.

FIERCE

"It is contributing well to profits, but we are being cautious not to expand where the margin is too low to be worthwhile. The competition is fierce.

The construction arm's profit is not as high as Mr Wassang would like. "We picked up some repair work after the damage caused by the Natal floods, but generally speaking there are not many opportunities."

The mining and engineering division which stemmed from the Clifford Harris acquisition is also subject to intense competition if it is one of the few independent operators - its major competitors are all associated with mining houses.

It has done work at Lekkervrugs, which was independently owned before being taken over by Rand Mines. The new owner does not have one of the associated companies mentioned here.

Clifford Harris itself continues to operate well in the Cape.

Mr Wassang says Basil Read has been criticized for being too greedy. "We have been short of cash since we did the management buyout. Our cash has come down from 135% of shareholders' funds to 130% in the past six months, and we intend to reduce it further.

He adds that it is the bottom line that counts, and is not concerned with turnover figures.

In the six months to December 1987, Basil Read turned over 29% to R1 million, net income by 33% to R5.2 million, and earnings a share by 36% to 36c.

The interest charge almost doubled to R2.2 million, but assessment tax losses of R3.7 million that the Receiver got nothing.

The dividend was raised by 3% to 6.5c, and shareholders have a choice of the cash or of two capitalisation shares for every 100 held.

The dividend on 100 shares before tax is R6.50, whereas two shares are worth R70.60 at the current trading price of R2.5 million. Management will take the shares - 34c is owned by directors and another 20c is held by staff.

Mr Wassang says two large institutions have been buying the shares recently. "We are slowly being rediscovered."

The share price sank to 20c in December, but doubled to 40c after the granite announcement in February. The 38c share price is roughly 4 times historic earnings and the dividend yields 4.5%.

In the light of the various facts about granite's prospects, competent management and reduced borrowings, I believe Basil Read has plenty of upside potential.
Cullinan spends a record R34m

By Ian Smith

CULLINAN Holdings has given the green light to a R34-million capital expenditure programme, the biggest in its history, says executive chairman Neil Cullinan.

The technology-based industrial group says it is intended to expand and modernise operations in both core and developing operations.

The biggest expenditure will be on a tunnel kiln for the building bricks division. The group's modern brickmaking plant at Midrand, which was built in 1984 but only began operations in 1987, was operating at capacity at the end of the financial year in June.

Critical

"Timing is critical in the building industry, but we believe this is a good investment, given the long-term prospects for the sector," says Mr Cullinan.

Expenditure at African Cables, which was incorporated as a subsidiary in September 1987, will not add to cable manufacturing capacity. Afecable is the second-largest cable manufacturer in South Africa, and there is already concern about over-capacity in the industry.

Mr Cullinan says the capital development at Afecable is aimed at product diversification, particularly for the mining industry.

The decision to go ahead with the capex programme comes on the back of a half-year to December in which taxed profits rose to R11,6-million – a 30% increase over the same time the previous year.

Encouraging

Higher minority interests and loan servicing meant that earnings increased by 12.6% to 65.3c a share. The group has declared an interim dividend of 17c, up from 15c in the first half of last year.

All operating divisions have full order books, and prospects for the rest of the year are encouraging, says Mr Cullinan.

"I expect the group earnings this year to rise by about 20%, which gives a compounded growth rate over the past four years of 25% "

Capital expenditure and a reduction in amounts owed to suppliers led to higher borrowings, interest-bearing liabilities increasing from R31.0-million to R37.5-million.

"However, the group's total liabilities are virtually unchanged and the balance sheet remains strong," says Mr Cullinan.

Unusual

He is particularly pleased at the group's continued good performance in the electrical field. Operations in this sector contributed 69% of earnings after a 16.7% increase to 46.8c a share.

But the refractories division suffered a setback early in the half-year, and its contribution fell from 16.7c to 10.6c a share.

The division was affected by industrial action, but Mr Cullinan believes the problems have been resolved.

"Our employment conditions compare well in most areas," he says.

Three of the refractory division's continuous process kilns were also temporarily out of service.

Normally maintenance on this type of plant is required only every five to eight years. "It is unusual for three of the division's 11 kilns to be out of service within one half-year," says Mr Cullinan.

They are now back in commission and current production is running ahead of previous levels.

The developing businesses have given Cullinan a base in the high-tech electronics and computer sectors.

We are expanding in this area, but it is important to grow these operations in a solid way," says Mr Cullinan.

The share traded at R9.25 this week, down from its R9.75 high two weeks ago. But it offers a comfortable premium over the 55c it reached last August.

Window on retailing

A SHOP window for South African retailers, who will make sales of R32-billion this year, will be held at the National Exhibition Centre, Johannesburg, from July 19 to 23.

The promoter of the Retailers Exhibition, Tom Reidy, says the aim is to show retailers a comprehensive range of stock.

"This is the first general exhibition of its type to be held in SA," he says.

"The increasing number of small retailers will appreciate an opportunity to see a wide range of consumer products in one place."
Big SA boost for wildlife in Zimbabwe

ANGLO-ALPHA, a leading South African cement company, has donated almost R300,000 to initiate a Zimbabwe project that is of immense importance to the conservation of Africa's wildlife and natural areas.

The project promises to greatly improve food production for a starving continent. It will do this without destroying the land — by pioneering new farming methods which will mix wildlife species with cattle.

The donation, which has been made through the SA Nature Foundation, also demonstrates a valuable use of "blocked funds" for companies and individuals with funds and assets stuck in Zimbabwe due to currency restrictions.

Overall, the project's aim is to achieve the best land management, protecting essential natural resources such as soil and fresh water, produce meat and other benefits, while maintaining natural areas and their wildlife populations.

The Zimbabwe Multi-species Wildlife Utilisation Project is a World Wide Fund for Nature (WWF) initiative. The SANP is the local branch of the WWF.

The funds donated by Anglo Alpha from blocked funds held in Zimbabwe will be used to purchase a headquarters building for the project, which has the blessing of the Zimbabwe government.

"This shows that companies and individuals with blocked funds in Zimbabwe and other African countries can put these assets to really effective use, conserving Africa's wildlife and natural areas," said SANP president Dr Anton Rupert.

"The Zimbabwe project promises to be one of Africa's most fundamentally important projects, benefiting wildlife and man," said WWF African projects director Dr John Hanks. Dr Hanks, who is now based with WWF-International in Switzerland, was formerly director of Natal University's Institute of Natural Resources.

With a population growth rate of almost four percent — one of the world's highest — increased human numbers will exert huge pressure on the capability of Africa's land to support them, leading to destruction and human misery.

Existing systems cannot cope, said Dr Hanks, and huge areas of land are being turned into desert.

By developing alternative, highly productive dryland farming methods which do not rely on cattle, disasters such as occurred in Ethiopia can be avoided.

Commercial and subsistence farmers will be shown how to make the best use of mixed farming techniques, using species of wildlife which have evolved to survive in Africa's harsh conditions.

- Individuals and companies with blocked funds in Zimbabwe or other countries are invited to contact the SA Nature Foundation to learn how to use these funds for conservation.

Write to the Director, SA Nature Foundation, PO Box 456, Stellenbosch 7600.
Floors and higher prices reduce Gypsum's profit rise

The recent floods and higher prices from major suppliers limited Gypsum Industries' earnings growth for the six months to end-December.

While turnover was up by 27.7 percent to R74.4 million (R58.3 million) these two factors reduced the rise to 20.8 percent at the pre-tax level.

Pre-tax profits were R15.75 million (R11.39 million), while attributable profits rose by R1.05 million to R6.37 million, translating to an earnings per share rise of 12c to 80c.

The interim dividend was 21 percent higher at 17c.

The directors state that the balance sheet looks strong and future expansion will increase capacities should be self-financing.

The earnings growth should be maintained in the second half.
Weaker rand benefits

Finance Staff
Asbestos producers Gefco and Msauli have announced improved results for financial 1988, with Gefco turning a loss of R3.7 million for 1987 into a net after-tax profit of R13.1 million and Msauli boosting its 1987 profit of R2 million to R11.4 million.

Gefco has declared a dividend of 12.5c, its first since the 1986 interim, and Msauli is to pay 55c — its first dividend in five years.

Arresting a seven-year downward trend, world demand for the crocidolite and amosite fibre types produced by Gefco improved slightly in 1988. The firming of demand led to an improvement in dollar prices as well as a marginal increase in sales volumes. The weaker rand pushed up rand revenues, particularly during the second half of the year. The combined effect of improved sales, higher rand revenues, interest income and savings in cost of finance produced a substantial increase in Gefco's net income.

Msauli continued to experience the strong demand for its chrysotile fibre which became evident in 1987, and production and sales volumes were increased by 13 percent to an all-time record level. Dollar prices improved and the weak rand amplified this. Higher production volume largely neutralised the effect of inflation on unit production costs.

Looking at the prospects for 1989, chairman Pat Hart said they should repeat the past year's performance provided there was no substantial change in external factors.

As far as Gefco was concerned, he said, indications were that the market for crocidolite fibre could continue to firm but that the market for amosite fibre would remain virtually static.
SA cashes in on coral beaches

Business Times Reporter

MOVES to protect the coral beaches of Mauritius have opened up a huge export market for South African building materials.

Expansion in the island's textile industry, which has resulted in a boom in factory construction, has led to an increasing shortage of natural aggregates used by the building industry.

Door

Delays in factory construction have opened the door to imported materials.

Cashing in on the demand, Johannesburg-based Multi Construction Chemicals (MCC) has built up strong exports of concrete admixtures and mixers in the past 10 months.

Its success has led to plans to use Mauritius as a launch pad for an export drive to Madagascar, the Seychelles and the cost of Africa.

MCC director Trevor Enerson, who is in charge of the project, says the volcanic nature of the island means that there are virtually no natural aggregates.

A Government move to protect the environment banned the use of coral sands for building, forcing the construction industry to use crushed volcanic basalt rock lava — which produced a concrete that was difficult to work.

The Government also clamped down on the manufacture of lime from coral, which led to more problems in plastering and rendering.

"This opened up a market for us in mortar plasterers and concrete admixtures," says Mr Enerson.

Textiles

MCC initially exported a floor hardener to Mauritius. It was used in what is believed to be one of the largest floors laid in one operation — 22 000 square metres for one of the island's textile mills.

The independent company, which specialises in chemical compounds for mining and construction industries, believes that its export drive has been helped by the low cost of its admixtures.

"A technology agreement with Sentaexh subsidiary Karseem gives us access to SA materials, enabling MCC to deliver highly competitive products," says Mr Enerson.

It also provides the company with greater access to SA technology and sophisticated research and development facilities.

SA use of concrete admixtures has been limited, mainly because of the high cost of imported materials. In the US and Japan up to 80% of all concrete poured contains admixtures, but in SA the total is barely 15% to 20%.

MCC's development of SA materials has lowered the cost of admixtures for the construction industry.

"Exports have become a reality," says Mr Enerson.
D & H’s results justify recent share price leap

AN impressive 31% increase in the interim earnings of construction supplies group Darling & Hodgson and a further strengthening of its balance sheet has justified growth in the share price from 200c in September to the current 445c.

Continued buoyancy in the building and construction industry boosted the group’s turnover by 46% to R239m, lifting taxed profits from R14,5m to R19,6m during the six months to February. An extraordinary item of R4,4m pushed attributable profits to R23,9m.

The extraordinary item was related to profits from the sale of assets by Blue Circle in which D & H has a 42,2% stake. Blue Circle recently announced record earnings for the year to December, contributing strongly to the results.

The group has declared an interim dividend of 6c (6c) a share and shareholders will be pleased that a further dividend of 4,5c a share has been declared to commemorate Blue Circle’s 75th anniversary.

D & H MD Richard Bruyns said the results were also affected by record levels of profitability on increased volumes achieved by Rocka, the concrete and fibre cement manufacturer, bought in 1987 from Malbak.

In one of two strategic acquisitions during the period under review, D & H bought a 70% interest in 100ha of undeveloped land in the Midrand which is zoned for industrial development.

In the second, it bought the business of Lauden Locks, a manufacturer of locks and fittings which complements the group’s existing interests.

Development and start-up costs were written off in a number of grassroots ventures embarked on during the period under review, trimming operating margins slightly, Bruyns said.

The balance sheet remains exceptionally strong. Borrowings have been reduced and current assets have grown over the comparative period. The ratio of borrowings to shareholder’s funds has fallen to a healthy 3% (18%) and interest cover is up to 8 times (5,4).

With its healthy cash-flow, Bruyns said the group was continually looking for acquisitions in related markets but currently did not have anything specific in the pipeline.

He predicted earnings in the second half will be ahead improved.
D & H well on road to recovery

By Ann Crotty
Malbaik subsidiary, Darling & Hodgson, whose major activities involve supplying materials to the construction industry, has posted results which show that the group remains firmly on recovery course.

For the six months to end-February earnings were up 31 percent to 30,2c (23,1c) from which a dividend of 8c (6c) has been declared. A special dividend of 4,5c has also been declared which is the spin-off benefit from the special 25c dividend declared by 42 percent held Blue Circle to celebrate its anniversary.

Group turnover was up 46 percent to R239 million (R163,3 million) while operating income advanced 29 percent to R36,8 million (R28,5 million). A drop in interest payments helped to counter the impact of a higher tax rate, leaving attributable earnings 31 percent ahead at R19,8 million (R14,9 million).

The results reflect the strong performance reported by D & H's most important profit contributor — Blue Circle.

As MD Mr Richard Bruyns points out "Blue Circle's earnings per share before extraordinary items were 227,4c" for the 12 months to end-December.

The review figures include earnings from Blue Circle for the six months to end-February which includes the traditional shutdown period in the building industry in December and January.

Rocha, the concrete and fibre cement manufacturer which D & H acquired in 1987, reported record levels of profitability on increased volumes during the six months to end-February.
D&H goes hunting after fine first half

DARLING & Hodgson, now 61% owned by Malbak, has changed more than its image

The group has consolidated its new operations firmly tied to the provision of materials for the construction industry, and is on the acquisition trail.

The entrepreneurial management is looking for good buys. Managing director Richard Bruyns says: "We are Malbak's construction leg, but we will not go back into contracting. We have the facilities to make a large acquisition, but it will be in a compatible area when the time and the price are right."

Much of the last year has been devoted to setting D&H in its new direction. "We are a different group from the old D&H," says Mr Bruyns. Investors have already changed their view of the group. The share price has risen from 296c six months ago to 456c, slightly off the peak reached this month of 480c. The stock is probably still under-rated.

D&H has come up with the expected sparkling interim figures for the half-year to February 28. Better results are forecast for the rest of the year.

Turnover increased in the six months by 46% to R229-million and earnings were up 31% at R39.6-million, or 35.2c a share. The 12.5c dividend includes a 4.5c special anniversary payment from Blue Circle.

Borrowings are down to a scant 2% of permanent capital and two of the group's major assets are big cash generators - its 22.2% stake in Blue Circle and wholly owned Rocla, a major pipe manufacturer.

The third division, architectural hardware manufacturer Solid Manufacturing, is self-supporting, says Mr Bruyns.

Spread

The group's spread across its chosen sector of the economy ensures some insulation from the cyclical nature of construction, says Mr Bruyns.

Rocla benefits at the beginning of the cycle when the infrastructure is running fast.

In the second phase, when building begins, Blue Circle benefits through the supply of cement. Rocla supplies plastic piping for internal plumbing.

Solid Manufacturing comes into play with its provision of door locks and other fittings.

"We have found our niche in the market, and we will consolidate our position there," says Mr Bruyns.

Several factors contribute to his confidence about an improved second half of the year. Blue Circle's contribution was 30% up on the same time in the previous year. The figures include the traditional December-January shutdown for the building industry.

Rocla achieved record productivity, and development and start-up costs have been written off on several ventures.

Mr Bruyns says Rocla can spin concrete posts up to 36 metres long.

"This is new technology to SA, and we are working with Eskom towards a SABS standard."

Solid Manufacturing's operations have been strengthened by the acquisition of Louden Locks.

"The infrastructure to support exports to Europe has been established," says Mr Bruyns.

Exports to the Far East have been helped by the low rand.

D&H's property interests, which have been boosted by the success of the Woodbridge Island sectional title project in the Cape, have been strengthened by the purchase of a 70% stake in 108 hectares of undeveloped land in Midrand.
BRICK 'n Tile, the country’s largest merchant of quality clay brick products, this month opened three new centres as part of its expansion programme.

The centres — at KwaThema, near Springs, in Rivenia, Sandton, and at Moberi, south of Durban — bring to 16 the number of Brick 'n Tile outlets nationwide.

Other centres are in Pretoria East, Pretoria West, Cressus, Alberton, Lenasia, Kempton Park, Roodpoort, Springs-City, Crown Mines, Bloemfontein, Pietermaritzburg and Avoca.

The company is also currently upgrading its largest centre, in Germiston-Escolade.

Mr Peter McGaule, the chain’s national market development manager, said the company’s aim was to have centres throughout the country by the end of next year.

“All our centres are strategically situated and conveniently accessible to their respective surrounding areas. We are also looking for well-positioned sites for new centres,” Mr McGaule said.

Brick ‘n Tile centres have been described as something akin to a builder’s paradise, offering, as they do, a wide range of products, including clay face bricks, matching special-shape bricks, clay pavers and roof and quarry tiles.

For the address or telephone number of your nearest Brick ‘n Tile centre, please contact Mr McGaule or Mr Karl Schröder, Transvaal regional manager, at (011) 53-8790.
Cement industry looks to lay firm foundation

BULLISH prospects for the cement industry are indicated by the rise in the share prices of the three leading producers to record highs this week.

Pretoria Portland Cement (PPC) continued its march to new highs yesterday with a rise of 50c to R24. Anglo Alpha and Blue Circle held to their peaks of R18 and R16.50 respectively.
The shares gained strength in a market which was generally weak in the wake of the falling gold price.

Anglo Alpha and PPC, which between them control 88% of the market, are optimistic of continued growth, with Blue Circle expecting no demand increase and a cooling-off period during the latter part of this year.

Helped by last year's reduced gearing, Anglo Alpha is expecting earnings growth of "at least" 15% next year and is budgeting for a capex of nearly R100m a year over the next four years, says group secretary Peter Stuchner.

Last year the company had a capex of R41.2m, and plans to increase it to R360m at present day costs with R181m allotted to expansion, R172m to plant and equipment replacement, and R57m to employee "quality of life improvements" by 1998.

Anglo Alpha traditionally predicts conservative growth. Last year for example, the company exceeded its estimated 20% earnings growth with a 55.7% jump to a record R68m (R39.5m).

Despite the surge, Anglo Alpha's chairman Peter Ryland suggests that the industry may have seen its growth peak.

Blue Circle's commercial director, Peter Kett, says that an increase in railway tariffs from April 1, on top of a January cement price increase of 10% and a further increase later this year, will add costs to the industry.

Newly-ducted president of the Concrete Society of SA (CSSA) Ric Snowden voices further concern over government's ability to monitor the economy effectively.

He further bemoans the fact that the cement cartel, 45% controlled by PPC, 35% by Anglo Alpha and 20% by Blue Circle, curtails competition and further disrupts the industry - adversely affecting price and quality.

Blue Circle is obligated by cartel agreement to stay under its 20% (1.6 million tons per annum) market share position and is looking to its materials division to bolster earnings.

It has been making significant inroads into stone quarrying, says Kett.
Penpin surpasses expectations

LIZ ROUSE

the company performed well in the past year and its 11 new outlets are already contributing to profits. More new outlets are planned for the present year and turnover of R45m is expected.

Enthusiastic

Malherbe says Penbuild opened outlets in the eastern Cape in Jeffreys Bay and in the western Cape in Woodstock and Crossroads. It also acquired the Craig Hardware group in the Transvaal with effect from November 1, 1989, resulting in further outlets in Randburg, Lanseria and Ferndale.

Penpin’s financial director Percy Bishop says a feature of the past year was the group’s acquisition of certain minority interests. In the past, the group expanded through co-ownership of outlets, but it has now bought out several minority shareholders, enabling these directors to move to Penpin’s head office to strengthen top management.

Group properties have a book value of R3m, but carry a market value of R1m, which is not reflected on the balance sheet.

Penboard’s MD Garnet Carr says Penpin, a division of Penpin Holdings (Penpin) and Penpinchards Boards (Penboard) have achieved dazzling results, outperforming expectations. Penpin’s turnover broke the R100m barrier with a 71% increase to R110m (R64m) and taxed profit leapt by 89% to R2,6m (R1,4m) in the year to December 1988.

A final dividend of 4c has been declared, raising total distribution to 7c from 1987’s 4c. Because of a bigger issued share capital, the advance in earnings was 48% to 16,2c a share (10,9c a share).

Fane Malherbe, chairman of the fast-growing hardware and building materials chain, says while the group’s budgeted turnover for 1989 is R115m, it is aiming to break the R200m mark this year.

Penboard, which in 83% held by Penpin, posted a 76% increase in turnover to R30,9m (R17,5m), while taxed profit rose by 66% to R1m (R600,000). Earnings a share increased by 59% to 9,67c a share (6,08c a share).
Crushed stone prices up 30%

Retailers of crushed stone in the PWV construction industry have reported a 30% increase in the price of stone in the past four months.

Graphs of seven pricing indices for selected building materials such as cement and bricks show the price of stone rising far above that of other materials since 1990, CSS statistics show.

Crushed stone is currently selling at around R30/m³, though regionally this price is subject to change. It is used in concrete and in a variety of other applications in the industry, including road-building.

Two of SA's leading producers of stone are Hippo Quarries and Ready Mix Materials.

Ready Mix Material MD Graham Hardy says the CSS indices are not indicative of the achieved price for stone, which is usually below the average 37.5% increase recommended by the Stone Association.

He says the reported 30% increase in the actual ex-quarry price of stone is also incorrect.

However, the added cost of transport, often not undertaken by the stone producer, could have increased the cost of stone by more than the association had recommended.
Cement slumps

BRENT MELVILLE

A RECENT SA Cement Producers Association (SACPA) report shows cement demand on the decline with subdued February sales, significantly below expected volumes.

Total cement sales were 17.3% down to 520 060 tons (629 678 tons), well shy of an anticipated 619 300 tons.

PPC cement spokesman Charles Holman attributes the downturn to January’s 10% price increase and hasty year-end buying, swamping sales for December but significantly reducing early year buying.

Cement Distributors of SA (CODISA) sales were 15% short of anticipated sales at 651 600 tons. Cape cement dipped 18.9% to 88 400 and sales of slagment-Portland Blast Furnace (PBF) cement dropped 40.6% to 11 400 tons (19 200 tons). 28.5% down on predicted sales of 15 500 tons.

Natal cement, however, exceeded expectations by 69 990 tons, but sales were actually 3.6% down from the same period last year.
'Cartels to blame for rising costs'

CARTEL conditions in the supply of major materials in the construction industry were continually pushing prices up while the weak rand had resulted in marked increases in prices of imported plant and spares, the SA Federation of Civil Engineering Contractors said yesterday.

It said the rise in contract awards during the past 12 months had resulted in some easing of competition and improvement in margins, but prices in the construction industry remained competitive.

While conditions were generally satisfactory and order books were reasonably filled, the outlook for the next 12 months was uncertain, as there was concern about availability of new work later this year and the possibility of a downturn in 1990.

Commenting on the upswing in roadworks and township infrastructure, the federation said although there had been a fair spread between larger and smaller contracts, not all industry sectors had benefited from the upturn.

Concrete work and mining work on the other hand had lagged behind, tunneling was quiet and a shortage of railway siding work continued to be experienced. — Sapa
By Tom Hood
CAPE TOWN.— Housebuilders want the Competition Board to act against suppliers of building materials whose regular price hikes are blamed for a 60 percent jump in house prices in the last three years.

"An additional 200,000 houses could have been built in the last decade if suppliers’ price increases had been in line with those of other industries such as mining, which have been forced by difficult conditions to be more efficient year by year," the president of the South African Institute of Building, Mr. Janne Breed, said at the weekend.

He said he was "dead against" price controls but he believed the Competition Board should exert pressure on certain suppliers.

He quoted an 89 percent price hike for stock bricks in two years to R190 a thousand, while other bricks rose by from 50 to 60 percent.

Cement increased 49 percent in two years to R8,85 a pocket, while ready-mixed cement in the Cape Town area rose 72 percent to R139,95 a cubic metre.

Sanitary fittings for one bathroom soared by 83 percent in less than three years from R602 to R1,041.

Wage increases had been "moderate and were hard earned and well deserved," with rates for bricklayers on housing work, for example, rising only 17 percent.

"But there is absolutely no question any longer in the minds of most people in the construction industry that certain suppliers enjoy near monopolistic, cartel-type conditions and that they have been able to increase prices year by year at inflationary rates."

Suppliers should consider that they are damaging the building industry, particularly the home-building industry.

The figures suggested that manufacturers of building products were either "taking us all for a ride or operating extremely inefficiently," added Mr. Breed.

"The dissatisfaction of the industry has been aggravated by price rises of goods continuing even in times when, to remain competitive, home builders and general contractors had to operate at very low mark-ups and do all they could to hold prices down, often absorbing losses on many aspects of the work," he said.
Queries on asbestos bags at water works

ASBESTOS-coated filtration bags at a Johannesburg sewage purification works have been identified as a health hazard.

City Council tenders and licensing committee minutes say the use of asbestos will be scrapped at Bushkoppies sewage purification plant.

DP councillor Clive Gilbert has tabled questions for today’s council meeting on the effects of asbestos on workers at water and sewage works.

He said yesterday he would be surprised if the council adhered to manpower Department regulations on industrial safety in places where asbestos was used.

Gilbert said local government regulations were necessary also to protect people who worked or lived in buildings where asbestos was present.

The US business magazine Fortune International reported about 99 000 Americans had in the past decade used makers of products containing asbestos.

The mineral was restricted as a building material in the US in the 1970s.

Gilbert believed the health and safety departments did not inspect premises where there was asbestos.

"My submission is that the monitoring of asbestos in Johannesburg has been very slack and the council is not keeping up with the times on the dangers and hazards of asbestos.

He is also concerned no safety measures were practised in the demolition or renovation of buildings.

Asbestos from them was disposed of with general rubble and this, he claimed was a danger to the public.

Gilbert said workers were not protected when they removed rubble.

He advocated that asbestos waste sites should be provided and workers handling the material protected.

"To a certain extent asbestos is just as dangerous as nuclear waste. Once an asbestos fibre is in the lungs, it can never be removed," Gilbert said.

He welcomed scrapping of asbestos-coated bags at Bushkoppies but asked what effect the system had had on workers at the plant and people who had consumed the filtered water.

"It is a risk. Particles could have been consumed in minute quantities," Gilbert said.

He also wants to know if asbestos is used in other purification works.
Gilbert believed the health and safety departments did not inspect premises where there was asbestos

**Everite to quit East London**

Everite has decided to close its East London factory in a R35m capex programme to convert its building materials from asbestos cement to non-asbestos fibre cement.

Everite is planning to replace its asbestos fibre with cellulose fibres by 1992. This shift was in response to market demands monitored overseas.

Everite executive director Mark Cvetanich said in a statement that the size of the plant and the over-capacity of the fibre-cement manufacturing industry did not justify the R18m investment required to introduce the asbestos replacement programme in East London.

The East London factory, with only one sheet manufacturing machine, was too small to carry the interest burden and cash flow requirements of the programme, he said.

Of the 270 workers employed at the factory, 230 would be retrenched, with the remainder transferred to other plants, PR spokesman Brian Gibson said.

Everite's R35m asbestos replacement programme, which to date has involved R30m research, will result in the replacement of asbestos fibres in asbestos cement by cellulose fibres.

Cellulose fibres are made from hard organic pulp fibres like hemp, wood or sisal fibres, Gibson said.

Everite had given a public commitment to replace asbestos in its range of building materials by 1992.

Despite the safety of asbestos building materials, there was a growing public perception that asbestos fibres were dangerous.
The housing crisis is not as hopeless as many have said it is, says Dean Norton, executive director, Portland Cement Institute (PCI).

"We should accept that it took centuries for European countries to acquire sufficient housing stock Shack towns, which are basically a form of affordable housing, are destined to be used in South Africa for a long time.

But there are encouraging developments on the local scene, which should be recognised, he says.

The innovative and evolutionary nature of housing in SA is one example.

Changes are taking place over a wide spectrum — provision of land with or without security of tenure, site and service, self-help core and shell housing, and subsidisation for upgrading or incremental housing.

In general, there is a new realistic approach to minimum standards applicable to housing requirements.

He says thousands of tons of cement are being used for incremental building development.

"Drive along any road in the black cities or homelands and there is evidence of build-as-you-can-afford. Stacks of concrete bricks and blocks can be seen everywhere.

He says it is wrong to blame politics as a barrier to the provision of housing.

Political action is universal and adequate housing is more strongly related to the rate of population growth which, in turn, is directly dependent on standards of education, urbanisation and prosperity.

One of the biggest myths about the local housing situation is that a serious shortage exists. "What there is is a shortage of money to buy houses and food or to provide free or subsidised housing and food.

"This statement must obviously be qualified in the local context where some regulatory restraints exist. But, in general, people are homeless mainly because of the lack of money."
Material costs cause concern

PRESSURE is mounting for the Competition Board to re-examine the regular price hikes of certain suppliers to the construction industry.

According to Janee Breed, president of the SA Institute of Building, certain suppliers enjoy near monopolistic conditions which enable them to allegedly increase prices year-by-year at inflationary rates.

"Price rises have continued even when, to remain competitive, some of the major receivers of the goods — such as home builders and general contractors — have had to operate at very low mark-ups, often absorbing losses," he adds.

A 60% rise

Breed says figures released by the Haylett formula team, the National Association of House Builders, the Stellenbosch Bureau of Economic Affairs and a Pretoria-based house builder indicated that, on a typical Pretoria house, the total production cost had risen by more than 60% in less than four years.

This means there was a monthly escalation of 1.25," he explains, adding that this was caused mainly by material price increases.

In roughly the same period under review, says Breed, sub-contractor bricklayers on housing work in the Pretoria area had had only a R1/m² increase, from R24/m² to R28/m²; plasterers' wages had risen by only 35c/m², from R1.85/m² to R2.20/m²; and tilting sub-contractors by only R2/m², from R12/m² to R14/m².

"On the other hand, the price of a certain widely used brick went up between 1987 and 1989 from R2.45 to R3.67/thousand, while certain stock bricks rose from R110 to R133/thousand. Certain calcium silicate bricks increased from R82.30/thousand in 1986 to R111.10/thousand in 1988.

"Cement, often said to be one of the better controlled building products, has increased in price between 1987 and 1989 from R5.22 to R8.85/pocket, while ready-mixed concrete (quoting figures from the Cape Town area) increased from R31.50/m³ in 1988 to R43.95/m³ at present."

The price of sanitary ware fittings for one bathroom have also increased from R602 to R1,104 in less than three years.

"The manufacturers of these and other building products should reveal why they have had to increase their prices so regularly," says Breed.

"The question is are their profits too large or have they failed to improve productivity in five years? The present figures suggest that they are either taking us all for a ride or operating extremely inefficiently."

Against controls

Breed stresses that he is "dead against" any further price controls, but believes the Competition Board could be exerting pressure to relieve the situation.

"It has been estimated that an extra 200,000 houses could have been erected during the past decade if suppliers' price increases had been in line with those of other more efficient industries, such as mining," he adds.
Everite to close E Cape factory

JOHANNESBURG - Everite has decided to close its East London factory in a R35m capex programme to convert its building materials from asbestos cement to non-asbestos fibre cement.

Everite is planning to replace its asbestos fibre with cellulose fibres by 1992. This shift was in response to market demands monitored overseas, but preempting the SA market for non-asbestos building materials.

Everite executive director, Mark Culameh said in a statement the size of the plant and the over-capacity of the fibre-cement manufacturing industry did not justify the R10m investment required to introduce the asbestos replacement programme in East London.

The East London factory, with only one sheet manufacturing machine, was too small to carry the interest burden and cash flow requirements of the programme, he said.

Of the 270 workers employed at the factory, 230 would be retrenched with the remainder to be transferred to other plants, PR spokesman Brian Gibson said.

Everite's R35m asbestos replacement programme, which to date has involved R30m research, will result in the replacement of asbestos fibres in asbestos cement by cellulose fibres.

Cellulose fibres are made of hardy organic pulp fibres like hemp, wood or sisal fibres, Gibson said.

Everite had given a public commitment to replace asbestos in its range of building materials by 1992.

Despite the safety of asbestos building materials, there was a growing public perception that asbestos fibres were dangerous.
Paving the Way!

BRICK 'n Tile, one of South Africa's leading brick merchants, has launched a new paver — the Country Cottage — for residential and commercial applications.

The attractive new paver has a biscuit colour with an orange flush and an extra-soft feel that is manufactured at Corobrik’s modern Rivet factory near Pretoria. Corobrik's meticulous manufacturing methods and quality controls ensure that all pavers are uniform in size and shape.

The paver is a member of the Country Cottage family, which includes premium-quality face bricks in three textures. These face bricks were recently awarded the top SABS mark of approval.

"Made from the finest clays and fortified with fired coal aggregates, the new Country Cottage paver embodies grace and strength," says Peter Smith, manager of BRICK 'n Tile.

"Its colours make it a remarkable versatile and trouble-free product with an enormous variety of applications."

All Corobrik pavers are durable, need virtually no maintenance, and weather with age, acquiring a character of their own as years go by.

"Attractive angular and random patterns such as herringbone, basketweave and stretchercbond can be used to contrast with the warm colours of clay pavers and to give added visual interest to large areas of paving.

For heavy-duty wear, we recommend the herringbone interlocking bond format that ensures the lateral movement of vehicles and wheel traffic on sensory paths.

With the herringbone format, the pavers act as barriers, but do not impede shoe traffic. In 2006, the edges are suitably restrained, giving the paved landscape a design for life."

BRICK 'n Tile stocks the country's largest range of quality clay pavers in numerous exciting colours to match or contrast existing brickwork and face brick homes.

Charm

Every paver is handmade, selected, and cut from the same clay, ensuring a consistent and uniform appearance. The result is a product that can be easily mixed with other materials to create a unique and distinctive garden.

All 16 BRICK 'n Tile centres countrywide stock the new Country Cottage paver and the matching face brick range. Trained and friendly staff are on hand to assist customers or the knowledgeable on any type of aesthetic, commercial, and domestic landscaping project. Their aim is to improve the aesthetic appeal of the environment, whether it's a small public space or a grand country estate.
Reinie Booysen

Once again a dimension stone producer — this time Keeley Group Holdings — has outstripped the expectations of analysts, who are finding it hard to keep up with the voracious growth of the young, fast-moving industry.

Keeley’s attributable earnings for the year to February are R163,8m — 143% higher than last year’s R13,2m. Dividend distribution is five times higher, at 5c a share (1988 11c).

SA’s four major producers of stone for polished architectural and monumental surfaces — Keeley, Kudu, Marlin and Impala (unlisted) — are finding it difficult to satisfy the increasing hunger in Europe and the Far East for their products.

The development of modern stone-cutting techniques capable of handling harder varieties of stone like gabbro-norite and granite has been attributed to the growth of the SA industry.

These stones are making rapid inroads on the 400-year-old domination of marble, which is under pressure from high population levels and acid rain, particularly in Europe.

Expanding

Marble wears much faster under the feet, and it decays if exposed to acid rain (caused by air pollution from industry and motor vehicles).

Therefore, SA producers are expanding as fast as they can and new companies are being formed to exploit this sector. Keeley expanded its stone production by 30% to more than 500,000 tons in the year under review.

Dimension stone enjoys one of the highest rates of return on the JSE at present. Keeley’s return on equity rose from 46% in 1988 to 87% in 1989.

Returns are boosted by government export incentives, which lead to lower tax rates. Keeley’s tax rate in the 1989 year was only 15%.

Keeley’s liquidity is good although long-term debt equity ratio has risen from 0,12 to 0,22, the company has R49,5m in the bank and total net current assets of R56,6m.

In the six months to December 1989, Marlin’s attributable earnings were R10,8m — compared with R4,4m the previous year.

Kudu’s interim results (also to December 1989) also show an outstanding improvement: a rise in attributable earnings, from R297,000 to R3,5m.
SA's future growth will place increased demands on concrete as the premier building material, says Portland Cement Institute executive director Dean Norton.

Rapid urbanisation in SA has resulted in an increased need for infrastructural development like highways, housing and better transportation systems, while the low energy consumption of concrete will enhance its continued demand.

A 1m-high concrete column required half the energy needed by a similar column of claybrick, or about a third of the energy needed for a similar steel column, Norton said yesterday.

Damage to ecological systems caused by such as the greenhouse effect could change the use of surface terrains for urbanisation to subsurface systems.

Experiments were being conducted to assess the feasibility of subsurface housing systems, Norton said.
PPC to spend R53m on Riebeek West factory

NEW limestone deposits discovered in the Riebeek West district will ensure a continuous supply for the manufacture of cement for at least 15 years more than was estimated previously.

Work is now in progress on three capital intensive projects which forms part of a major R53m development and upgrading programme at Pretoria Portland Cement’s (PPC) Riebeek West factory.

Explaining the rationale for the upgrading and development, MD Guy Luys, said in 1980 it was identified that the Riebeek West plant, whose first kiln was opened in 1939, required upgrading. This was necessary because peripheral equipment had become obsolete and because limestone quarrying operations were not optimized.

Plant modernization and the replacement of equipment to the value of R9.8m is already complete including the installation of computerized controls for the two kilns and the various mills as well as state of the art quality control X-ray system and an X-ray spectrometer.

The upgrading will prolong the life of the existing plant and also extend the high-grade limestone reserves.

Previously only high-grade limestone was used for the manufacture of cement but with the installation of a preblending plant, the medium grade limestone can be used to supplement the high grade supply without reducing the quality.

Not only will the expansion programme upgrade the existing plant and make better use of materials but it will also ensure constant quality and control, reduce blending costs and improve productivity.
Italtile lifts earnings

Finance Staff

Italtile has reported income attributable to ordinary shareholders of R12.076 million for the 11 months to the end of February. A pro forma comparison for 12 months to February 1998 show earnings at R14.556 million compared to R11.986 million previously.

Earnings per share were 79c compared with the pro forma figure at 88,3c (73,7c).

A dividend of 15c has been declared. No dividend was paid in the previous year.

Italtile is to build two tile factories at a cost of R46 million over the next three years.
Italtile improves on earnings forecasts

CERAMIC group Italtile bettered forecasts of 54.5c a share, posting adjusted earnings of 67.8c a share. Unadjusted earnings came to 72c.

An operating profit increase of 64.9% to R16.65m for the 11 months to February was realised after a 60.5% increase in turnover. This is based on comparative results of Botta Sanitaryware.

A pro forma income statement and balance sheet are provided to reflect trading results as if Jabula Food's acquisition of Botta had taken place on March 1 1988.

Pro forma adjusted earnings for the year to February 1988 came to 71.5c a share compared with pro forma 1988 earnings of 48.6c.

Earnings a share have been adjusted by applying a notional tax charge of 40% to eliminate the effect of assessed losses. Tax was R3.7m, sharply up on the pro forma total of R15.4m. This reduced actual taxed profit to R13.1m compared with a pro forma total for 1988 of R14.9m.

A dividend of 15c has been declared, bringing total distribution to 15c.

Italtile is to build two tile factories at a cost of R61m in the next three years.
New challenge
to statistics

ANOTHER private sector report has contradicted figures from Central Statistical Service (CSS), which has come under attack for allegedly reflecting an inaccurate inflation rate.

This time the subject is building activity in SA with particular reference to home improvements.

The first challenge to CSS came from Karl Fosel, former professor of applied mathematics. He claims that SA’s inflation rate is more than 30% a year instead of the 13.8% calculated by CSS.

The report on building activity by Business & Marketing Intelligence (BMI) says CSS reflects only home improvements for which municipal approval has been requested. It ignores the “tremendous” increase in home improvements for which no plans have been passed.

Potential

Jan Strauss, director of building studies at BMI, says: “The potential of the home improvement market for building materials suppliers has been underestimated due to a severe underestimation of the market by CSS.”

BMI is a leader in business and industrial research. It is a member of the Information Transfer Group, SA’s largest multi-disciplinary marketing research group.

Mr Strauss says that instead of conducting research on a “horizontal level” — for instance, on consumer response only — BMI carried out a “vertical” study of the home improvement market. It is based on a “comprehensive sample of 2 000 manufacturers, builders, merchants, contractors, suppliers and local authorities”.

It also covered 150 building products.

Misleading

His study, entitled Prospects for building materials and fittings in SA — 1988-1993, found that the home improvement market is worth about R3.5-billion a year.

It also found that South Africans spent more on extensions to their homes than on new houses in 1988. This, says, the report, contradicts official figures which are misleading.

“Official statistics show that non-residential building activity has a much higher proportion of additions than residential activity. This is not true in the real situation because non-residential alterations are usually executed with approved plans and are therefore more likely to be reflected in the official statistics.”

“Expenditure on alterations and extensions to residential buildings definitely exceeds expenditure on non-residential property.”

Economic

Mr Strauss says that almost half of improvement expenditure is on economic housing and more than a quarter on luxury houses. The balance is spent on improving low-cost houses.

Official figures show that the building industry has suffered real negative growth in the past three years. The BMI, however, reports that in 1988, there was positive growth, although it was small.

It says SA spent R12.5-billion on all types of building in 1987. This represents a 30% increase compared with 1985, or 5% in real terms, allowing for cost increases.

Negative

It warns, however, that the industry faces real negative growth for the next two years and that recovery is likely only in 1991-1992.

The survey also found that the private sector’s contribution to building activity grew by 52% between 1985 and 1987. This is 72% of all building activity. Public spending rose by 15% in the same time but its share of the market fell from 38% to 20%.”
Granite newcomer with a difference

By Ian Smith

THE entry of another counter to the JSE's granite-mining stocks will add a new element of excitement to a sector where shares have trebled their value in a year.

The one time pedestrian paving stone is today's glamorous export buyers lining up to place orders.

Aurora Granite, backed by established construction group Basil Read and mineral exploration entrepreneur Ted Grobeck, comes to the mining board on June 1 after a private placing of 8-million shares at R2 each.

**Profitable**

World demand for top-quality South African granite is看来 high. The promoters of the new company see no problem in shifting total production to foreign markets at highly profitable prices for the foreseeable future.

But Aurora is jumping ahead of the established producers - three listed and one foreign-controlled company - by moving into beneficiated.

Most of the output of the two quarries at Belfast and Groblersdal in the Free State, will initially go to foreign buyers as large blocks, and the group is committed to developing a cutting and polishing division which will primarily add value to exports. Some will go to the SA market.

The group forecasts revenue of R14.8-million in the year to June 1990 and an operating profit of R8.5-million. No tax should be due in the foreseeable future because of exploration, development and part allowances and export incentives. Net profit of R7-million should provide earnings of 26.5c a share.

**Roots**

A dividend policy of between 33.3% and 50% of taxed income should mean that R1 a share is paid in the first year.

Aurora has its roots in an exploration company formed by 39-year-old geologist Mr. Grobeck last year when he left the pioneer mining exploration group he helped to create the JSE Rand Extension & Exploration (Randex).

The company he formed took an option on black granite deposits in the fashionable Belfast area, where all the other major producers operate, and then made contact with listed Basil Read. It had started to develop a quarry at Rookraal, 46km north of Basil Read, in December 1987.

The outcome is Aurora Granite, Basil Read holding 24%, Mr Grobeck and associates Aurora Exploration 21%, Charter with 18% and the public, including institutions, 37%.

"It makes so much sense," says Mr Grobeck, who is chairman of Aurora Granite. "We have the exploration expertise and Basil Read, which was already involved in granite, has the plant and earthmoving expertise."

An agreement between the main partners says that Basil Read will make its plant and equipment facilities available to Aurora Granite at cost. The private Aurora Exploration will make its other granite interests and services available to the new company at cost.

Aurora Granite's managing director will be Dave Wassung, Basil Read's financial director who has been in charge of the construction group's diversification. He remains a director of Basil Read and both companies will operate out of the same head office. "We will work closely," he tells Business Times.

**Reserves**

Aurora's rights in Belfast, the source of much of the world's best black granite, is seen as a coup. But it did not come easily.

Other groups are quarrying granite outcrops in the area, but Aurora's Kwaggaskop deposits were covered by a mining field.

"We had to look at the cost of removing overburden in addition to the landowner's high price," says Mr Grobeck. "This is where Basil Read's plant and special expertise were particularly attractive."

In fact, the partners delineated areas where the granite was covered by less than 4-metres of overburden and established reserves of 70 years at projected mining rate.

Basil Read's original Rookraal deposits are in a small zone of exceptionally high-quality black granite.

**Maturity**

The degree of stripping and faulting as one of many reasons that Aurora will develop its own cutting and polishing division. This means it will be able to sell granite which would not normally be suitable for shipping abroad in large blocks.

Aurora Granite is developing quarrying and handling methods, much of the equipment being made in Basil Read's workshops.

Recovery percentages at Kwaggaskop are expected to be similar to those at Marlin's neighbouring operations.

"We will employ new granite processing techniques which will result in higher capital costs but significantly lower operating costs which are not easily comparable with those of other operations."
Exports add weight to a solid stone sector outlook

AURORA Granite — to be listed on the JSE on June 1 — will be followed soon after by Impala Granite, a West German-controlled company which owns with Marlin for second slot (after Keeley) among SA’s four big dimension-stone producers.

Analyst Keith Bright yesterday confirmed that Frank Kruger Vonderine would be sponsoring brokers to the listing.

The strength of the market for hardy varieties of stone, like the Transvaal’s gabbro-norite, for architectural and monumental applications, has enabled the three dimension stone companies on the JSE — Keeley, Marlin and Kudi — to achieve great growth, particularly in exports.

This has also sparked intense interest among other entrepreneurs keen on emulating these successes. Other candidates for a possible listing on the JSE which have been mentioned in dimension-stone circles include names like Black Rock and African Swans.

Europe

Nevertheless, Impala will clearly be the largest among the 1989 listings, with about 14 000 tons a month.

Observers say most of Impala’s tonnage is derived from the Rustenburg region (about 10 000 tons), while it produces about 3 000 tons from Belfast and another 1 000 tons from quarries in the Cape and Zimbabwe.

The company is owned by a German concern, Deutsche Stein, which is engaged in the processing and distribution of granite in Europe.

Aurora Granite represents the amalgamation of the dimension-stone interests of various concerns including Ted Grobich’s Aurora Exploration and Basil Read.

The company is to raise R12m via a private placing on the JSE. 6-million shares have been placed at 20c a share. It will exploit two deposits, one at Kwaggaskop in the Belfast district, and the other, Rooskraal, about 40km north. The company aims to achieve a production rate of about 2 000 tons/month from Kwaggaskop by February and another 800 tons/month from Rooskraal by March.

Directors expect net profits to June 1990 of more than R7m in total, or at least 20.9c a share. With a dividend policy of distributing between 33.3% and 50% of after tax income annually, a dividend payment of 9c a share is forecast for the year to June 1990.

The company will be managed by Basil Read, financial director Dave Wissung, and Ted Grobich will be chairman.
Improved margins pave way for higher interim at PPC

Pretoria Portland Cement (PPC) has raised its after-tax profits by 31 percent from R31 million to R40.5 million for the six months to March.

Earnings per share for the half-year come out at 101.7 cents (79.6 cents), paving the way for an increase of 44 percent in the interim dividend from 25 cents to a 2.8-times-covered 36 cents.

Financial director Chris Wrogemann points to improved cement margins brought about by higher volumes and thus better plant utilisation as one of the main reasons for the increase in earnings. Another factor was a jump in net investment income from R4.5 million to R7.2 million.

Growth in the second half will be at a slower rate but PPC expects to show an increase in earnings and dividends not less than 20 percent for the full year, says the interim report.

"Higher interest rates will have a dampening effect on economic activity generally and on the building and construction industry in particular, with the pinch most notable in the housing construction sector," says Wrogemann.

"The cement volume increases we saw in the first six months simply won't continue at the same rate. Second half volumes will probably be at about the same level as the second half last year," he adds.

The higher first-half margins rose by 33 percent in operating profit — from R35.9 million to R74.2 million — on a turnover increase of 20 percent, at R312.6 million (R261.2 million).

Cement sales volumes increased by 7.5 percent in the six months, generating a turnover of just under R180 million (R148.9 million). Cement operating profit was R40.4 million (R24.1 million).

Interest received is substantially up on the first half last year — from R2.3 million to R5.4 million. According to Wrogemann this is because far bigger cash balances were invested than during the first half last year.

"However, substantial tax payments on March 31 have since reduced those balances," says Wrogemann. The tax man took just under R40 million (R22.4 million).

Interest paid was marginally lower at R2.5 million, leaving pre-tax profits of R81.4 million (R80.2 million).
ANOTHER SOLID SHOWING FROM CEMENT GIANT

EDWARD WEST

INVESTORS anticipated Pretoria Portland Cement's solid 25% EPS growth for the six months to March. PPC shares have jumped from a low in August of R14,60 to a peak of R25 last week. Shares closed unchanged at R24,75 yesterday.

However, as expected in the chairman's review last year, the high 46% earnings growth rate achieved during 1988 was not maintained.

Earnings a share of 101,7 (79,6c) were diluted by the issue of 961,432 new ordinary shares after the final conversion of the company's 11,5% convertible debentures in December.

The largest cement and lime producer raised taxable profits by 31% from R31,9m to R41,5m in the six months to March 1989.

Growth in EPS paved the way for a 44% hike in the interim dividend from 32c to 3.8 times covered 30c. Cover at the interim period last year was 3,2.

PPC financial director Chris Wrogeman said improved cement margins, through higher volumes and better plant utilisation, increased earnings.

Volumes

A 67% jump in investment income to R7,3m contributed to the improvement. Operating profit increased 33% to R74,2m (R55,3m) on 26% growth in turnover to R312,6m.

Cement sales volumes increased by 15,5% to generate a turnover of just under R180m (R148,9m). The 1989 cement price increase in January only partly offset the rise in power costs, railage and fuel, Wrogeman said.

Interest received increased from R2,3m in the first half of last year to R5,4m because of larger cash balances this year. Tax payments in March have since reduced those balances, he said.

Un taxed profits amounted to R61,4m (R60,2m) Tax was R39,9m (R38,4m). Gearing was reduced as the debt/equity ratio fell from 5.9 to 2.8.

The group's capital commitment of R56,4m for the period under review was reduced from R127,9m at September 1988.

While Wrogeman forecast slower growth in the second quarter, he said PPC should show an increase in earnings and dividends of not less than 30% for the full year.
Tongaat-Hulett breaks records all round

BRUCE ANDERSON

STRONG performances by Tongaat-Hulett’s sugar, aluminium and building materials divisions have resulted in impressive results for the year to March with turnover, taxed profits and earnings all at record levels.

Turnover rose 21% to R3,1bn (R2.6bn) but a widening of margins — from 5.6% to 10.36% — produced a 36% leap in operating profits to R327,5m (R240.9m) while attributable profits increased by 22% to R157,4m (R129.2m).

This advance was achieved in the face of a 35% rise in interest charges to R69.5m.

Earnings a share rose by 32% to 214.5c (162.3c). A final dividend of 48c (36c) has been declared to bring total distribution for the year to 71c (64c).

Yesterday Tongaat’s share price surged 25c to R16.50 ahead of results.

Financial director Ted Garner said yesterday the improved margins were mainly due to an improvement in the results of the group’s aluminium division which benefited from a higher world price.

In addition the building materials division enjoyed more buoyant conditions.

Garner said the results had marginally exceeded directors’ expectations.

The group’s land and buildings were revalued at April 1 last year with a consequential increase in non-distributable reserves of R48.8m. This, with the strong cash flow resulting from improved profit performance and tight management of working capital, reduced borrowings to R254.5m (R304.5m).

The reduction in borrowings is impressive because it came after the group had financed capital expenditure of about R131m.

Gearing improved as a result of the reduction of borrowings. Interest-bearing debt now represents 15.7% (30.4%) of total shareholders’ funds.

Garner said the group expected to grow next year but probably not at the rate in the period under review.

He added directors would be in a position to comment more fully on prospects in the annual report after scrutinising results for the first quarter.
Keeley has high export market hopes

KEELEY Granite is establishing a R5m processing plant in Ciskei, to become operational in July, for the production of granite tiles for the world market, group chairman Fred Keeley announced yesterday.

"We have decided to take this step to add value to our product in SA, which will result in the group achieving higher foreign exchange earnings from the export market," he added.

"What makes the project even more viable is the fact that the raw material we will be using is worth only 25% of the value of the finished product and constitute less than 1% of our annual granite production.

"Once on stream, the plant will have a capacity of 40 000m² of tiles worth approximately R10m a year."

He said that in the foreseeable future the company would export its entire production against confirmed orders.
Cemenco raises dividend by 150%

THE Cemestonc Company (Cemenco) has shown disappointing growth for the six months to end-March with earnings virtually unchanged at 72.6c (72.2c) a share.

However, the designer and manufacturer of steel products for the mining sector — controlled jointly by UK-based Trafalgar House and local engineering group, E.L. Bateman — has declared a dividend of 150% up on last year's at 36c (14c) a share, covered 2.1 times.

Operating profit rose by a marginal 13% to R11.4m (R10.1m), but a 21.5% rise in interest payments lopped off R2.7m (R2.2m) and a tax hike of 36% took an additional R0.2m (R0.2m) — resulting in an unchanged attributable income of R8m.

Unfortunately, no turnover figure was given but chairman Roy Shaw estimated it at R160m, "significantly up on last year's figure."

He attributed the decrease in margins to problems with Cemenco's forging division but said the group would be concentrating on its mining division "which already accounts for over 50% of turnover."

Long-term borrowings were reduced by 30.6% to a healthier R12.7m (R18.3m), but short-term loans showed an inflationary rise of 16% to R22.7m (R19.2m).

Optimistic of improvement in the second half of the year, Shaw said the company should benefit further from the receipt of certain export incentive allowances.

The group has already adjusted comparative figures to allow for last year's incentives.

Shaw predicts an end-year dividend of "at least" 95c — bringing the year's total to 95c.

Cemenco closed on a high of R7 yesterday on an historical dividend yield of 10.4% — well above the sector average of 4.6%. 
Bullish outlook in concrete industry

South Africa's urbanisation growth will place increasing demand on concrete suppliers, says Mr Dean Norton, executive director of the Portland Cement Institute.

"The country will have to cope with a backlog of demands as well as provision for the effects of social change," he says.

"An example of this change is our urbanisation resulting in the need for more highways, surface and underground rail transport, housing, water, educational facilities and shopping centres.

Mr Norton also referred to the "greenhouse effect" — the result of increased pollution and accelerated by the damage to the earth's ozone layer — and maintains this could, in future, change the use of surface terrain for urbanisation to subterranean systems.

"Concrete's relatively low energy consumption characteristics will also result in increased future demand for the material," he says.

"A one metre high concrete column bearing a 1,000-ton load requires only about half of the energy required by a similar claybrick column or only about a third of the energy needed by a similar steel column.

"This is an important consideration when, for an average building, about 58 percent of the total energy used goes into materials," he says.
Kudu puts in another record quarter

KUDU Granite has managed another good quarter in the three months to March, with attributable profit at a record R1.901m.

Analysts say there is no reason why this should not continue to rise in the quarters ahead.

In the previous financial year, to June 1988, Kudu's turnover was R10.3m.

The current year's turnover will be at least double this figure, for the nine months to March it was R18.8m — which includes R7.6m in the March quarter alone.

If Kudu manages the same attributable profit as in the March quarter, attributable profit will also be more than double last year's R3.6m (attributable profit for the nine months to March is already R5.5m).

So far earnings a share are standing at 34.8c — compared with 24.2c for the whole of last year (1983).

The company's share price reflects this good news, although it has softened slightly, along with the other granite shares (Keeley and Martin), from its all-time high of 45c on February 9. The share yesterday traded at 40c.

Keeley shares yesterday traded slightly lower than their high of 1.275c on April 28, at 1.26c, and Martin shares traded at 74c, compared with their high of 810c on March 29.
ABOUT 800 workers at the Everite plant in Brackenfell downed tools yesterday in support of a national wage strike, affecting four plants and 2,200 workers.

The workers are demanding a R1.05 across-the-board increase on the hourly minimum of R2.85. The company is offering 50c, increasing to 75c for higher grades.
Plate Glass makes renewed thrust into foreign markets

By Derek Tommey
Plate Glass is as South African as melktert
But these days it is acquiring a strong international veneer, which is expected to result in a sharp rise in profit in the years ahead
Joint chairmen, Ronnie and Bertie Lubner, said last night the group had major expansion plans for its overseas operations, while seeking additional foreign capital for them
They said that in the year to March, Plate Glass had increased attributable earnings by 20 percent and raised the dividend from 18.5c to 22c a share

The expansion plans and the foreign capital injection were expected to lead to a major increase in profits in the years ahead
Plate Glass has started a campaign to be a major retailer of glass and timber board products in North America, Europe and Australia
This has led to the

group opening 50 new outlets in the past year in the US and 35 in Europe
It is starting a chain of wood-board outlets in Australia
It is already strong in glass retailing in Britain and Australia

However, the overseas expansion has not been without cost. The group had to write off R25 million in establishment expenses, the brothers said
This was seen in the decision to cold-start new branches. Established retailers had wanted too much goodwill
Plate Glass had decided, therefore, to start from scratch. In doing so it had saved itself far more in goodwill payments than it had written off in setting up the operations
But owing to the restrictions on the transfer of capital from SA and the limit to the expansion that could be financed out of retained earnings, Plate Glass needed to find alternative ways of financing the operations, they said
Various schemes were being looked at, including share listings, mergers and joint partnerships
It was likely in some areas that Plate Glass might merge its operations and accept a smaller stake in much larger enterprises. Merger would help cover up the SA connection
But for the heavy establishment expenses, earnings for the year would have been 31 percent higher at 636.7c a share, instead of the 482.7c the group reported. Last year it earned 400.6c

The Lubners said that although 64 percent of turnover was done overseas, it generated only one-third of profit
However, despite continued heavy expenditure on overseas expansion, this should change this year and foreign operations should generate half group profits
Profits from the SA operations were expected to be at least maintained

This suggests earnings should be 33 percent higher, although the brothers forecast only a 20 percent increase
Exports made a significant contribution to profits, with glass products ("we are exporting added value, not just glass") making further penetration. But this is not "used" business. Overseas associates were free to buy glass from anyone, they said

The European glass division had a good year. The British operations were restructured and greater emphasis placed on distributing and fixing automotive glass
This was also being done in Europe and long-term benefits were expected, especially in the Benelux countries where Plate Glass operated the largest chain
The combined turnover of the European glass operation exceeded R1 billion and was forecast to grow at about 15 percent a year
Italtile profit up 70 pc

Business Staff

ITALTILE, which was listed in August, last year, should continue to show real growth in turnover and profitability in 1989, says the chairman, Mr G Ravazzotti.

Turnover in the year ended February rose 75 percent while profits rose 70 percent to more than R20-million.

He reports that Italtile is expanding its manufacturing facilities and is building a new ceramic tile factory in Baebleg; at a cost of R25-million. It is also opening additional retail stores.

Mr Ravazzotti said that the high rate of inflation and the rapid growth of the company required a high profit-ploughback.

As a result the dividend was restricted to 15c out of adjusted earnings of 73.5c.

During the year it acquired National Ceramic Industries which will make tiles for industry and which will considerably broaden Italtile's product range.
IN SPITE of indications of an economic slowdown in the new financial year, Italtile CEO Gian Ravazzotti says he is confident the group will continue to show real growth in turnover and profitability.

The opening of additional retail stores, the construction of a new R25m ceramic tile factory in Babiega and the continued expansion of manufacturing facilities are evidence of continued growth in the group, he says in the annual report.

The excessively high rate of inflation has negative implications in terms of working capital and fixed asset requirements, particularly in fast-growing companies like Italtile.

He is, therefore, committed to make adequate reinvestment of profits to ensure continued growth and long-term welfare of Italtile and therefore declared a conservative dividend policy.

Italtile attributable earnings increased by 61.2% after increasing turnover by 72%, the annual report says.
Buildco’s performance upsets some shareholders

BUILDING Material Manufacturers’ shareholders believe dividends should have been retained after disappointing results for the year to February.

Business Day was inundated with phone calls from angry shareholders last week who complained about management of the company.

Buildco’s earnings a share dropped 46%, from 6c to 3.2c, after net income fell from R10m in 1988 to R4.6m. Net income also fell R600,000 from the interim net income of R4.4m reported last August.

Turnover for the year to February increased 34% from R144.3m to R199.3m. Operating profit, indicating a drop in margins from 14.3% in 1988 to 6.7%, dropped from R8.0m to R4.01m.

Earnings were further diluted by an increase in the number of shares in issue from 101.5-million to 122.6-million. Long-term liabilities increased from R1.5m to R5.6m.

Buildco director John Dutton said R208,000 of borrowings was for instalment sales and finance leases.

The balance on long-term liabilities was non-interest bearing debt arising from a loan provided by Buildco parent Interboard for the provision of new tile production facilities.

Edward West

Interest payments increased from R257,000 to R1.17m.
A dividend of 1.25c was declared to bring the total payout to 2.85c.

Some shareholders said Buildco’s dividend should have been capitalised because of falling margins and poor net earnings.

Dutton said the company originally planned to retain the dividend but, after consulting major shareholder Interboard, which has an 80% holding, it was decided to declare the dividend as an indication of the confidence Buildco had in the coming year.

He said Buildco’s problem had been

the Studio Ceramic tile division. Disruptions to the existing operation, with the installation of the second kiln, were under-estimated and the main contributor to losses.

Buildco’s interim announcement says — referring to the new kiln — “the increased operation is beginning to bed down well with output volumes increasing by the week.”

Dutton said the interim announcement was published in a period of five weeks when they thought they had eradicated tile production problems, but these continued with the plant producing a large percentage of reject tiles.

He added since then management in the division had been replaced. Gerrit Venter, formerly a production manager for SAB, was appointed GM and the production units had already broken divisional production records.

With Tileco fully operational, a high demand for tiles and all other divisions in Buildco showing profits last year, it was decided to show investors the company’s confidence in the group performance next year by declaring the dividend, Dutton said.

Preliminary results were published seven days late because companies acquired by Interboard during the year were not run on the same accounting methods as the group.
Factory battle

By CHIARA CARTER

STRIKING workers at Everte in Brackenfell were this week excluded from company premises following violent clashes with "scabs".

On Monday, about 100 strikers fought with about 300 casuals bussed in by the company.

The clash, which resulted in 17 workers being injured and two hospitalized, was the result of "extreme tensions" which had built up over the past fortnight, a spokesperson for the Construction and Allied Workers' Union (Cawu) said.

Similar clashes occurred at the Everte factory in Khupver last week.

Cawu has appealed to workers not to become involved in confrontations with the scabs.

An Everte spokesperson said that following the clashes, management and shop stewards had met and negotiated for strikers to remain in a demarcated area outside the factory.

"This was not a lock-out situation but was to prevent further violence," he said.

The company was continuing to use casual labour to maintain production.

About 700 Cawu members at the factory have been on strike for more than a fortnight.

The strike is part of national industrial action by between 2000 and 3000 Cawu members at the Fibre and Cement Division of Everte Limited.

The workers are demanding a minimum wage increase of R1.03 an hour. Management has offered 50 cents.

Meanwhile, a marathon strike by about 900 Worcester textile workers has entered its fourth week.

The strike, which stems from annual wage negotiations, is over a service bonus dispute.

The workers, members of the Amalgamated Clothing and Textile Workers' Union of South Africa, have rejected Hex Tex management's offer of 25 cents and are holding out for 50 cents for each week of service.

Everite workers protest to highlight their strike.
Cement sales to slow as the economy cools

By Don Robertson

CEMENT sales are expected to rise by about 3% this year from the 8.38-million tons sold last year, says the SA Cement Producers Association.

It says an upsurge for the year to December that because of the slowdown in the economy and higher bond rates, a decline in building of houses by the public sector and corporations can be expected. However, small growth can be expected in non-residential buildings.

Contracts awarded in the second half of last year to civil engineers will cause a small increase in private and public sector work.

Backlog

However, no major expansions are planned in the near future, although there will be large expenditure on replacement, modernisation and upgrading of plant.

Cement sales last year rose by 16% to 8.48-million tons. Installed capacity was increased by 25% over 1987.

SA is now exporting small quantities of cement to Zimbabwe. However, the industry was unable to follow up other export inquiries because of the high cost of transport.

More slag and fly ash is being blended by the industry and the amount rose from 10% of total production in 1987 to 37% last year. It helped to keep costs down.

The association says that SA is the fourth-lowest cost producer in the world.

Prices were raised by 7% in May last year and by slightly more than 10% in January 1989.
Brick industry hit by higher home finance

By Frank Jeans

A clear indication of the adverse effects rising bond rates and tight conditions are having on homebuilding comes from a leader in the brick industry.

There has been a sharp fall in capacity utilisation in the past few months - a setback which, sources say, is directly related to the level of home finance.

Errol Rutherford, MD of Corobrik, says last November was the turning point.

"The industry's main outlet is the residential property market and up to last November it was running at 86 percent of capacity.

"Then we noticed a steady slide and capacity utilisation is now 60 percent."

He says demand for homes is as strong as ever, but that affordability has "moved beyond the potential of the average home buyer."

Other sources are hesitant about price rises - they have just been increased - but say there is little doubt that the "freeze", along with a bond rate of 20 percent, must eventually filter through by way of a further fall in output.

"We are fighting costs," says Mr Rutherford.
Anglo Alpha scores again

In August 1988, the Competition Board allowed the cement industry to retain its cartel arrangements.

Anglo Alpha chairman Peter Byland said: “We welcome this decision which underpins our conviction that the cartel arrangements are in the best interest of the cement consumer.”

The continuation of the arrangement would give the industry the stability it needed to encourage investment in the replacement of old, inefficient plant and new capacity required to meet the demands of the economy, he said.

I find it repugnant that the cement cartel is allowed to go its merry way fuelling inflation, pushing up prices and playing havoc through its hefty annual price hikes.

Consider that Anglo Alpha had its best year ever with record sales and bottom line

These record profits were achieved despite tax increasing by 148 percent to R6.3 million, with the effective tax rate rising from 34.3 to 45.7 percent.

Mr Byland said the 48.2 percent increase in operating income was mainly due to the increase in income achieved by the stone and industrial divisions.

But did he forget about his cement division where sales increased from R207 million (2,300 million tons) to R289.2 million (2,645 million tons) in 1988, with net operating income from the division increasing from R67.5 million to R95.2 million.

The 30 percent increase in sales was due to higher volumes, price increases and greater throughput from Reef depots, management said.

Price per ton rose from R292.69 in 1987 to R350.70 in 1988 on the ground that the rise was in line with the inflation rate.

The investment in kilns was made years ago, so why are profits so high and continuing to climb?

The truth is that capex was higher in 1988 — R42.5 million, R56 million (present-day costs) below the group’s target rate of return because of the under-utilisation of plant and below inflation-rate price increases, said MD Ron Searle.

The effective tax rate increased because of the full utilisation of the investment allowances on the Ulco project in 1987.

Stone division sales rose to R108.6 million (1987: R56 million) with net operating income up 136.5 percent at R20.6 million (1987: R8.8 million) because of higher plant utilisation and a continuing drive to reduce operating costs.

The industrial division had sales of R170.6 million (1987: R136.6 million) and higher operating income of R33.7 million (1987: R27.7 million).

All three divisions are forecasting increased sales volumes in 1989.

Overall, Mr Byland feels earnings will increase 15 percent.

The balance sheet is superb.

Investments, investment properties and stocks previously valued at cost have now been revalued, adding a R53 million to non-distributable reserves, which stood at R67.9 million out of the R966.5 million ordinary shareholders’ equity at end-December 1988 — a staggering 70 percent.

Through superb cash flow, debt has declined to R131 million (1987: R216 million) and working capital remains unchanged at R27 million.

With Government backing, the cartel just cannot look back.

Cement prices will continue to rise and 20 percent annually and management will justify its massive capex investment in kilns as being in the best interests of the consumer.

It won’t talk about the under-utilisation of capacity or that the public is really funding the capex.

The annual report cover says Anglo Alpha is committed to the customer.

However, 1988’s record profits and the superb growth trend of the 80’s surely show the group is committed to the shareholder, rather than to the consumer.
Boumat faces testing time

BOUMAT chairman Irvine Brittan says the anticipated economic downturn will be a testing time for his building materials supplies company, but its financial strength will allow it to be aggressive, competitive and well placed to make acquisitions.

In the 1988 annual report, Mr Brittan assumes that real building activity will fall by 4% and product prices will increase by 17%. The result of these two assumptions will be an increase of 12% in the rand value of Boumat’s sales for the year to March 1989.

He estimates that operating costs will increase by 15%, the tax rate will be 35%, the average interest rate will be 20% and that 80% of the bonus share offer — instead of a cash dividend — will be taken up.

On these assumptions the sales are forecast to approach R1-billion, profit before tax will grow by 13% to R52.9-million and earnings a share will increase by 4% to 114c — on the greater number of issued shares.

However, the dividend will be boosted by 18% to 4c a share. This puts the company on a forward dividend yield of 7.2% and the current share price of 82c around 5.5 times forward earnings.

The net asset value of the shares will increase by 14% to 81c.

The balance sheet will grow by 25% — fixed capital accounting for R146-million and debt for R62-million, half last year’s tally. Boumat aims for a return on capital employed of 15%.

Boumat’s objective of a 35% return on operating capital employed “on average and over time” remains intact, according to Mr Brittan.

He makes no constructive comments about SA’s reform and the crumbling of apartheid, which occurs both informally and through statute.

“All about us a new SA is being shaped as blacks and whites learn to know and respect one another.”

There have been some hiccups such as the lunacy of Boksburg and Carletonville, but by and large the development of understanding is occurring with remarkable ease.

“South Africans are learning to bargain together in a colour-blind industrial relations system that was unthinkable 10 years ago. There is no good reason why successful political bargaining should not follow. It is just not true that only violence and sanctions can end apartheid.”

Business is to a large extent playing its proper and important role in the process. Boumat operates countrywide in urban and rural locations, and we can perhaps thus be regarded as a microcosm of SA business.

“I hope so,” says Mr Brittan, “because there are some encouraging signs of increasing mutual respect at all levels in our group. This may still be fragile and the cause may well often be self-interest rather than inner conviction, but that does not matter. “What does matter is the change in attitude and approach.”
ABOUT 400 workers at Consol Glass in Bellville yesterday stopped work during nationwide negotiations with the company. Striking workers at "the Bellville plant" accused the company of "racially discriminatory" labour practices.
PO strike called off

A STRIKE by more than 100 Pretoria Post Office workers has ended.
A spokesperson for the Post and Telecommunications Workers' Association (Potwa) said the strike ended last week because of a "technical problem."
The workers downed tools to protest the transfer of a Potwa official to another post office 2/16-5/14/89

No change in strikes

TWO marathon strikes involving more than 3 000 workers are continuing.
A national strike by more than 2 000 workers at Everite Cement Division has entered its sixth week.
The strikers, who include about 700 workers at the company's factory in Brackenfell, have established support committees which include representatives from community organisations.
The Hex Tex strike in Worcester involving about 1 000 members of the Amalgamated Clothing and Textile Workers' Union of South Africa began almost two months ago.
The workers are striking over a service bonus dispute.
Union representatives met with management this week but no settlement was reached.
Blocktech in R3.5m cash restructuring

SYLVIA DU PLESSIS

BLOCKTECH, formerly Techmure (1986), has disposed of its core business and acquired prefabricated concrete floor and ceiling slab manufacturer Constantia Echo for R3.5m in cash.

The group announced yesterday that Techmure had been restructured and had disposed of its core business with effect from February 1 to Techmure (1986) for R2.3m, satisfied by the issue of 12.3-million shares in Techmure (1986).

In terms of the agreement of disposal, the company received one share in Techmure (1986) for each share held by it in the company. Simultaneously, the company changed its name to Blocktech to distinguish it from Techmure (1986).

Constantia was acquired after an agreement between wholly owned Blocktech subsidiary Cina Investments and Constantia shareholders.

As a result of the acquisition, effective from April 1 and subject to Blocktech shareholders' approval, Constantia has changed its name to Constantia Wilds, and Cina to Constantia Echo.

The company also disposed of its major asset, a 100% investment in Ethical Medical Industries, to a consortium on behalf of a partnership or company to be formed for a cash consideration of R1.75m with effect from the same date.

The disposal would result in the net tangible asset value of Blocktech amounting to R1.75m in cash, equivalent to 15.5c per Blocktech share.

The acquisition was necessary to maintain Blocktech's listing on the JSE, since the company would not meet the requirements for continued listing after the disposal of its core business.

Blocktech directors forecast that earnings for the current year after the disposal and the acquisition should not be less than R120 000 after tax, equivalent to 8.1c a share.

Blocktech yesterday reported annualised turnover of R4,7m (R1,2m) for the 18 months to March and retained income of R405 000 (R244 000). Earnings a share rose slightly to 5.5c from 5.2c, but no dividends were declared due to the restructuring.

Chairman Gordon Polović said a dividend of 2.5c a share was forecast for the current financial year.
JEWELLERY INDUSTRY

Promises, promises

The potential of the local jewellery industry to create jobs and earn foreign exchange by adding value to SA’s exports of gold, platinum, diamonds and precious stones, still remains unrealised

And the blame rests chiefly with the Department of Finance (DoF), which has failed to implement measures that would reduce the industry’s cost burden

Manufacturing jewellers claim government is still delaying implementation of the

low interest gold loan scheme promised by Economic Affairs Minister Dane Steyn a year ago. The 20% ad valorem tax on local sales, they say, is another major hurdle that must be removed before the industry can really take off.

Government is clearly dragging its feet in implementing the gold loan scheme, which would make Reserve Bank (SARB) gold available at a nominal interest rate of 1% to the commercial banking sector. Banks would then be able to offer gold to the jewellery manufacturing sector at low rates.

“We now pay the 20% prime rate on any gold we purchase, while jewellery is customarily sold on 90 days’ credit. How can we afford to expand or grow with these heavy charges? Manufacturers must also allow for 20% ad valorem tax and 13% GST,” says the SA Jewellery Council (JCSA) executive director Mike Goch.

Over the past few years, the international jewellery market has expanded enormously, but SA’s industry remains “infinitesimal” by world standards.

“We cannot compete against manufacturers in Italy and Germany, who only pay 3%-4% a year for their gold, and can afford to extend a year’s credit, while we are kept back by these punitive rates,” says manufacturing jeweller Alan Mair.

The irony remains that SA is the major international producer of gold and platinum, and one of the world’s top sources of gem diamonds. It’s an anomaly not lost on the State.
R500-million factory boost for George

By DAVID YUTAR
Staff Reporter

GEORGE, in the south eastern Cape, is to benefit from a huge foreign investment of between R460 and R500-million in a new hi-tech factory.

The factory will be established by a company based in the Republic of China and Hong Kong, which plans to manufacture television tubes, and later produce computers and computer components.

Town Clerk Mr Carel du Plessis said negotiations had reached an advanced stage and the company would start operating "as soon as possible".

The only hitch is, apparently, the government surcharge of 15 percent on machinery and capital goods, but it is believed a final decision on this matter is imminent.

Mr du Plessis said the company would provide employment for about 400 people, but this would eventually be increased to 2,600.

Mr J de Jonge, chairman of the George Chamber of Commerce, said George was a national industrial growth point offering attractive incentives to manufacturers.

Other large companies had invested capital there. Table Top employed about 1,200 people. Interboard had invested about R80-million and planned to invest another R40-million and a diamond-cutting company had set up business there too.

It is believed the newcomer will be the first large foreign company to establish itself in George.

Mr de Jonge reiterated that George "will attract more and more manufacturing companies of a highly technical nature".

However, Mr de Jonge, who is also chairman of the Southern Cape Technical Institute, warned "the city will have to do much more to educate prospective employees and train them to meet increasing demand for technical skills.

"The municipality recently set aside a three-hectare site for a new technical training institute. "I am hoping the institute will be built within a year."

The institute will provide new and extended training facilities for a host of technical skills in areas such as electrical and mechanical engineering, he said.
Msauli recoups some of its loss

ASBESTOS producer Msauli's share price recovered some of its lost ground yesterday after shedding 76c to reach 76c the day before.

Analysis believes the original fall was on technical rather than fundamental grounds, in spite of recent news of a US decison to ban all asbestos use in local products by 1998.

SA asbestos producers have expressed little concern over the US decision, which probably represents a final death-knell for asbestos use in an already steadily declining US market.

Over the past two decades international demand has responded to medical evidence that asbestos fibres promote a rare type of lung cancer called mesothelioma.

In the UK, imports of the fire-resistant mineral shrank from about 800,000 tons a year in 1981 to about 80,000 tons last year. The same trend is evident in European markets, though local producers expect no high-profile banning at this stage.

SA's biggest market for asbestos is the Far East. Msauli does not deal with the US at all, and sister mine Gecco sells only 2% of its output to the US.

Msauli executive chairman Pat Hart said he did not foresee a similar clampdown by Far Eastern markets. The US decision was something of a public relations manoeuvre to satisfy environmentalists — something the more pragmatic Japanese would not resort to, he said.

Japanese demand centred on the building industry. Asbestos was used in the production of strong but light fire-resistant panels, especially suitable for areas prone to earthquakes, he said.

The rest of the Far Eastern market was essentially a low-cost housing one, he said.

ANDREW BUDDEN
Cement workers are evicted

HUNDREDS of striking Everite workers in Kiprivier, Vereeniging, have been evicted from the factory premises and restrained from intimidating employees by order of the Rand Supreme Court.

The interim order against more than 800 workers was granted on Thursday, after the company alleged that strikers were intimidating or assaulting employees and disrupting the work operation.

The legal strike, now in its 16th week, involves about 2,000 workers at four fibre-cement plants. Workers have rejected management's final offer of a 50c across-the-board-increase on the basic hourly wage of R2.65, tabled on June 22.
Activities Manufactures and distributes ceramic tiles, vitreous china, sanitaryware and bathroom accessories
Control The directors effectively have 69% of the equity
Chairman G Ravazzotti
Capital structure 17m odds of NPV Market capitalisation R81m
Share market: Price 476c Yield 3.4% on dividend, 18.1% on earnings, PE ratio 5.5, cover 5.3 12-month high, 475c, low, 350c Trading volume last quarter, 640 825 shares
Financial Year to February 28 '88 '89
Debt Short-term (Rm) 4 9 0.23
Long-term (Rm) - - -
Equity ratio 0.20 - -
Shareholders interest 0.53 0.73
Int & leasing cover 3 3 -
Int coverage - 4.22 2.23
Performance '88 '89
Return on capital (%) 6.8 19.0
Turnover (% change) 61.6 78.9
Pre-int profit (Rm) 2.5 17.0
Taxed profit (Rm) 1.1 13.2
Earnings (c) 43.6 79.0
Dividends (c) - 15.0
* 11 months to February

Other group businesses are The Italtile Centre, The Ceramic Tile Market (CTM), Betta Sanitaryware and Samacalles
Swatton sees Samacalles as a major growth area. The new Samacalles factory, costing R25m, is expected to enter production in financial 1991 and it will double existing capacity. Another operation expected to do well is the chain of low-cost warehouses, CTM, which plans to increase its product range and benefit from growth in the DIY market. Swatton says CTM intends opening three retail stores this year. Full benefits of the NCI acquisition should be felt this year.

In the 11 months to end-February, Italtile raised turnover by 66% and operating profit by 53% to R17m. After a net interest inflow of R1.9m, an effective tax rate of 14.3% - against virtually nil the previous year - and issue of more shares, actual EPS rose 4.4% to "9c compared with the proforma 75c. The y o y forms 1989 income statement, which assumes the acquisition of Betta Sanitaryware by Jabula Foods was effective for the full year, shows a turnover increase of 75% and EPS of 88.3c.

Adjustment of earnings after applying a tax charge of 40% gives 67.4c or an annualised 73.5c - well above the prospectus forecast of 55c or 58.5c annualised. On adjusted earnings for the 11-month period, the dividend is conservatively covered 4.5 times. The balance sheet is healthy, showing cash of R5.3m against total borrowings of R917 000.

Brokers estimate that earnings will exceed 90c in the current year and that the dividend will be at least 20c. If this is achieved, the 475c price places the share on a forward p/e ratio of around 5.3 times and a prospective dividend yield of about 4.2%. The share looks reasonably priced for now.

FINTECH

Needs time
Activities Subsidaries in office automation, computer hardware and software and peripherals
Control Altron has 59.8%
Chairman W P Venter
Capital structure 8.2m odds of 50c each Market capitalisation R137.4m
Share market: Price 1 675c Yields 2.9% on dividend, 11.0% on earnings, PE ratio 9.1, cover 3.8 12-month high, 3 100c, low, 1 675c Trading volume last quarter, 229 000 shares
Financial Year to February 28 '88 '89
Debt Short-term (Rm) 35.3 75.9
Long-term (Rm) 0.9 - -
Equity ratio 0.38 0.42
Shareholders interest 0.31 0.26
Int & leasing cover 4.0 2.5
Int cover 0.56 0.28
Performance '88 '89
Return on capital (%) 11.6 12.3
Turnover (Rm) 257 542
Pre-int profit (Rm) 19.8 22.2
Pre-int margin (%) 7.7 5.4
Taxed profit (Rm) 15.2 14.3
Earnings (c) 201.2 184.0
Dividends (c) 48 48
Net worth (c) 689 737

The 1989 results of Fintech, the Altron group's information technology arm, were considerably affected by the loss recorded by its subsidiary, Punch Line. Fintech's EPS fell, despite consolidation of a large number of acquisitions made the previous year - though earnings of the biggest acquisition, that of NCR made during the last year, were included.

We have dealt with the Punch Line problems in detail (Leaders April 28). The impact can be seen in Fintech's margins, which fell from 7.7% to 5.4% on a turnover rise of 11% to R542m. Chairman Bill Venter points out that the Punch Line attributable loss was R1.5m against Fintech's earnings of R15.1m (R13m). There was also an extraordinary writedown of R2.5m for "cost of restructuring computer interests." The offer to Punch Line shareholders of seven Fintech shares for every 100 Punch Line shares increased Fintech's holdings in Punch Line from 72.7% to 81.4%.

A major development was the group's purchase of 50.1% of NCR SA from December 1. NCR is to remain independent within Fintech and will not be integrated with Punch Line at this stage. The price paid, the turnover and the profits of NCR SA have not yet been revealed, though market sources claim turnover of R200m this year. It has been stated that revenue grew 95.5% during the past two years and is expected to be in the region of 40% this year. New Fintech shares will be placed with institutions to finance the deal.

The extent to which Fintech has diverged from the Altron norms can be seen in Fin-
and, by the financial year's end, short-term debt was negligible.

Even so, long-term debt has to be repaid before dividends can be declared and, read-
aging between the lines of Hall's statement, some comparatively heavy expenditure is needed. The British parent has provided standby loan facilities repayable by 1992 and that seems to indicate the earliest possi-
ble date for dividends to resume.

The share has precious few immediate attractions at its current level. There is no pressing need for anyone to start accumulating the stock.

FINANCIAL MAIL AUGUST 11 1989
**Long wait**

**Activities:** Civil, construction, process and design engineering

**Chairman** H.K. Davies, managing director

**Control:** Anglo American has control

**Capital structure:** 13.24m ords of R1 each, 13.17m 10% automatically conv cum prefs of R1 Market capitalisation R24m (ords only)

**Share market:** Price 195c Yields nil on dividend, 24.6% on earnings, PE ratio, 4.1, cover, a/a 12-month high, 245c, low, 130c

**Trading volume last quarter:** 263,282 shares

**Financial:** Year to March 31

<table>
<thead>
<tr>
<th>86</th>
<th>87</th>
<th>88</th>
<th>89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>Short-term (Rm)</td>
<td>33.9</td>
<td>24.6</td>
</tr>
<tr>
<td></td>
<td>Long-term (Rm)</td>
<td>9.9</td>
<td>5.9</td>
</tr>
<tr>
<td></td>
<td>DE ratio</td>
<td>1.09</td>
<td>0.62</td>
</tr>
<tr>
<td>Shareholders' interest</td>
<td>0.13</td>
<td>0.16</td>
<td>0.19</td>
</tr>
<tr>
<td>int &amp; lease cover</td>
<td>1.25</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Debt cover</td>
<td>0.52</td>
<td>0.82</td>
<td>0.63</td>
</tr>
</tbody>
</table>

**Performance**

<table>
<thead>
<tr>
<th>86</th>
<th>87</th>
<th>88</th>
<th>89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>3.8</td>
<td>3.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>0.99</td>
<td>1.07</td>
<td>1.24</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>11.6</td>
<td>10.0</td>
<td>10.3</td>
</tr>
<tr>
<td>Pre-tax margin (%)</td>
<td>1.2</td>
<td>0.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>1.0</td>
<td>0.65</td>
<td>0.61</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>2</td>
<td>22.1</td>
<td>23.7</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>nil</td>
<td>nil</td>
<td>nil</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>290</td>
<td>319</td>
<td>474</td>
</tr>
</tbody>
</table>

**Investors seem in no hurry to dismiss chairman Hilton Davies’ caution even though he has hinted at a resumption of dividends this year. The share is rated on a 3.8 earnings multiple, a rating which seems to discount a slow recovery to acceptable returns on assets and profit growth.**

Of course, it made sense for the group not to pay dividends this past year. There remains the uncertainty of when amounts outstanding on disputed local and foreign contracts will be recovered. The directors believe that outstanding amounts will be collected over the next few years and allow the group's debt burden to be cut. Meanwhile, dividend payments will not precede over debt repayments.

There are some bright signs. Return on capital increased last year, reversing a four-year decline. And the order book is satisfactory with margins of some divisions considerably higher than at the end of financial 1988.
New boss Jones sizes up Interboard woes

By David Carte

INTERBOARD SA is fundamentally in good shape, says Barrie Jones, chosen by controller Interboard BV of the Netherlands to replace founder Ed Dutton.

Mr Dutton, who built the particle board and audio group from nothing to sales of £188 million a year, resigned unexpectedly this week. Mr Dutton holds an estimated 4% of the equity Interboard BV has 75% and Hoekse and 10%.

Mr Dutton's colleagues say he is a brilliant entrepreneur, a unique establisher of companies and dealer in them - but Interboard reached the size where it needed a greyer, more professional manager.

Police and Reserve Bank inquiries into the original funding of Interboard cast a pall over the company, even though Mr Dutton insists that all is well.

Mr Jones, a Wits-trained electrical engineer turned investment and business consultant, believes it is too early to say much. He is investigating what the company has and how to maximise returns for shareholders.

Happy

He is happy with the basic shape of the company, though Tiscor and the Swaz board mill have problems.

Looses there caused group pre-tax profit to fall from £17.1 million in the first half of last year to £4 million in the second half.

Mr Jones says: "I believe we can get a decent return in Tiscor. Former management has made changes and volumes and quality have been improved."

"The Swaz board factory is meeting production targets."

"The George board mill has improved, but needs to get into exports. We have the right technology and people."

As far as he knows, there is no need to expect disastrous results. Apart from its board and ceramic tile interests, Interboard owns door-maker Doorcor, kitchen unit manufacturer Robecor, and Audio- cor, the only large-scale manufacturer of radios and music centres in SA. Doorcor is feeling the building downturn, but is healthy. So are the other companies.

Mr Jones has known David Olsen, the SA chartered accountant based in London who has been appointed chairman of SA operations by Interboard BV, for 20 years.
Solid slams the door on minorities by delisting

MINORITIES comprising only 14% of the shareholders in Solid Doors have the ability to veto the delisting designs of the major stakeholders.

The morality of a booming old-fashioned company intending to delist on specious grounds comes under question with Solid's announcement of its intention to depart from the JSE.

Solid Doors was listed on November 16, 1987, and its shares hit 180c because of the finance outlook. Since then, to February 1988, Solid has sold its forecast earnings of 73c by making 8c a share.

Chairman Ian Senior's first review expressed great pleasure at the performance. He forecast earnings of 73c by making 8c a share. Return on equity was 216.

Chairman Ian Senior's first review expressed great pleasure at the performance. He forecast earnings of 73c by making 8c a share. Return on equity was 216.

WAGES

The earnings were a touch higher at 53c. The result was issued with an announcement heralded by two warnings that the company planned to delist.

The gist of the announcement was that the company had grown organically, but had been unable to make substantial inroads into the major stakeholders.

Fortunately, for minorities, the controlling shareholder will not vote at Wednesday's meeting, and only 25% of minorities, representing about 60,000 shares, will be allowed to vote against the proposal. The proposal must be rejected by proxies before it can be tabled immediately.

Chief Executive Officer Mr. Goldberg said, "The JSE's insistence that minority shareholders be allowed to oppose their own interests in the company has been a source of consternation. Investors may have the right to be heard, but the idea of a share in the company's share capital must be respected."

"I am sure that a majority of shareholders will vote against the proposal," Mr. Goldberg added. "The company has grown organically, but I am sure that a majority of shareholders will vote against the proposal."

Mr. Goldberg said that the company was not in a position to provide a fair and reasonable offer to minority shareholders. "The company has grown organically, but I am sure that a majority of shareholders will vote against the proposal."

A Cape reader writes, "I was surprised to see that the company's increase in earnings was not reflected in the share price. The company has grown organically, but I am sure that a majority of shareholders will vote against the proposal."

"I am sure that a majority of shareholders will vote against the proposal," Mr. Goldberg added. "The company has grown organically, but I am sure that a majority of shareholders will vote against the proposal."

Growth

The JSE has struck back at criticism from many of the correspondents who send me letters.

"I am sure that a majority of shareholders will vote against the proposal," Mr. Goldberg added. "The company has grown organically, but I am sure that a majority of shareholders will vote against the proposal."

"The JSE has struck back at criticism from many of the correspondents who send me letters."

"The JSE has struck back at criticism from many of the correspondents who send me letters."

"The JSE has struck back at criticism from many of the correspondents who send me letters."

"The JSE has struck back at criticism from many of the correspondents who send me letters."
SANDVIK Rock Tools is increasing its commitment to the SA market with the launch of its own sales and distribution network.

The Swedish company, which has been involved in mining, quarrying and exploration for the past 40 years, has in the past 10 months built up its nationwide network.

Previously, Sandvik Rock Tools were distributed by Delfos-Alias Copco, but after the Delfos parent bought a rival tool manufacturer, Sandvik decided to sever the link.

Sandvik tools have 100% local content and SA is the company's biggest market for rock tools.
Blind To Grow
Scheme For The
Brick-making

The Brick-makers Factory in Orinda, South Africa
...blind and partially sighted men work on the Tablo

The report by Mother Mabola.

The silent protest. A house project. Over.

The quiet movement of the quiet minds.

The brick-makers, the silent movemt. The silent minds.

The silent protest of the silent minds.

The silent protest of the silent minds.

She is saying...
303 jobs lost as plant closes in Stellenbosch

By DICK USHER

COROBRIK has closed its Stellenbosch plant with the loss of about 300 jobs.

Mr Harry Voorma, managing director of the plant, said the closure had been planned as part of a rationalisation programme but had been accelerated because the economic downturn had reduced demand for bricks and other products.

TWO WEEKS' PAY

He said 303 posts had been made redundant. The company had tried to find jobs for those affected elsewhere in the organisation and 279 employees had been made redundant.

Production stopped on August 31.

Mr Voorma said production formerly handled at Stellenbosch would be transferred to Roelandhof.

A spokesman for the Congress of South African Trade Unions (Cosatu) said it was a serious blow for Stellenbosch as Corobrik was one of the town's largest industrial employers.

He said employees received a termination package of two weeks' pay for each year worked.

"Some workers who had taken out home loans with the company have ended up owing money," he said.

Mr Voorma said the Construction and Allied Workers' Union, a Cosatu affiliate, had been told about the closure at the beginning of August.

"Negotiations are continuing with the union because it has declared a dispute with us over the retrenchment package," he said.
Retrenchments: Boland workers seek court aid

NEARLY 300 workers at Corobrik's Stellenbosch brick-making plant have applied for an urgent Industrial Court order restraining the company from retrenching employees before an existing dispute is resolved.

The plant was set to close down on August 31, affecting about 320 manual and more than 300 casual workers, according to papers before the court.

A Stellenbosch attorney acting for the workers said the parties had agreed to postpone the matter till tomorrow, with management undertaking to join talks aimed at resolving the dispute.

About 200 workers, all members of the Construction and Allied Workers' Union (Cawu), are affected by a dispute over the nature and effects of the plant's closure.
ECONOMIC buoyancy in the Far East has created a building boom in Hong Kong, Taiwan and Singapore which is expected to create a unique export opportunity for building material manufacturers in SA

SA Foreign Trade Organisation (Safio) manager for Asian affairs Gary Mitchell said in a telephone interview yesterday that while some manufacturers had already penetrated the market, Safio was embarking on an aggressive campaign to encourage SA building material exports to the Far East.

The favourable rand/dollar exchange rate, with increased demand for building materials in the Far East because of rapidly growing economies, made SA exports of building materials to these countries a profitable venture.

Most Far Eastern countries, though rich in high-added-value products like computers and watches, lacked raw materials and consequent manufacturing infra-structure to manufacture building materials, said Mitchell.

Urban Taipei consisted mainly of two to three storey buildings. However, the urban landscape was fast being transformed into one of skyscrapers. He said the building boom in Taipei was expected to last well into the next three years.

Most building materials, especially luxury building items such as granite facades, decorative face brick blocks and ceramics, sinks and PVC piping materials were imported to the Far East from Germany, Italy and other European countries.

Many SA building material manufacturers faced dropping demand for products because of the slump in building activity. Building material manufacturers had as yet focused little marketing drive towards export opportunities in comparison to other SA industries, said Mitchell.

Safio has launched a long-term project to promote these opportunities. Fifty materials manufacturers have expressed interest, while a third of these have provided funds for the project.
Marlin to polish own granite

By Julie Walker

LEADING granite producer Marlin has taken a step towards benefiting some of its product with the purchase of Marble Pentelic.

Pentelic is one of South Africa's foremost contractors in processing and application of granite stone for use in construction.

The announcement that 95.7% of Pentelic had been bought came with Marlin's results for the year to June 1989 during which earnings a share grew by 50% to R5.04. The dividend was raised by the same margin to R6c.

Marlin chairman Peter Gain says that buying Pentelic is a natural extension to Marlin's operations Marlin is the world's largest producer of Belfast black granite, and a leading supplier of Rustenburg grey as well as various coloured material.

Almost all production is exported as raw blocks to the world's cutting and polishing centres where it is processed into cladding for buildings and as monolith stones, among other applications.

Booked

Situated in Germiston, Pentelic has been built up by the Kyrklaas family, who will stay on to manage the operations. The sum paid for Pentelic has not been disclosed, and its acquisition is not expected to make an immediate effect on Marlin's earnings.

"We aim to expand Pentelic, and it puts us in a position where we are able for the first time to export beneficiated material from our own quarries," says Mr Gain.

The world's dimension stone sawing capacity is booked for months in advance, and saw-makers have orders for a year ahead.

Pentelic prepares SA and imported stone to customer requirements. Blocks are delivered and sawn into slabs by a machine which resembles a giant broadcutter.

Smartest

They are then either flame-polished to a rough finish or polished to a shiny one, then sawn into size for use in cladding buildings or for vanities and furniture.

Pentelic has clad some of SA's smartest buildings, including JCI House in Johannesburg and Mobul House in Cape Town. It hopes to be involved in First National Bank's Bank City project currently out to tender.

There has been a large swing worldwide by architects to the use of granite, especially since new techniques have made the hard stone more workable.

Pentelic and Marlin have done business for several years.

Mr Gain says Marlin expects higher profits in the current year. The shares are 75c, 52 times earnings and carry a dividend yield of 3.6%.
Suppliers hit back on building cost claims

SEVERAL companies and trading organisations contest claims that the rising price of materials is the main reason for the increase in building costs.

Business Times carried a report on August 27 quoting the Building Industries Federation of SA (Bifsa) and the SA Property Owners Association (Sapoa) which suggested that sale agreements and monopolistic practices had resulted in the price of some building materials rising by more than the inflation rate.

Bifsa said that with an inflation rate of 12.5% in 1988, the price of stock bricks rose by 29.8%, face bricks by 27.5%, sand by 20.1%, crushed stone by 24.1%, cement and floor tiles by 22.6% and cement by 15.2%.

Bifsa and Sapoa are to set up a committee to investigate increases in imported timber, cement, paint, glass and crushed-stone prices. In the past five years, building costs have risen from about R1400/m² to about R1600/m².

However, the Timber & Allied Trades Association (Tata) and brick manufacturer Rosema say prices have not risen by the stated amount or are the result of factors outside their control.

Tata says the price of imported timber depends on the cost of the timber from the source country and the rand's falling value.

The base cost of timber abroad has generally kept pace with inflation in those countries except the Far East where rising demand has lifted prices.

In the past few years, in addition, many countries have imposed an export tax on timber for SA.

The percentage mark-up on timber has not changed in the past 10 years in spite of rising interest rates, higher rents and increased fuel costs.

Tata says the problems facing the buyer of imported timber are generally caused by difficulties with exporting countries or the falling rand.

Shira Smuts, consulting engineer for Rosema Bricks in Pretoria, says the price of his company's bricks has risen by an average of 12.1% in the last 12 months.

Face-brick prices have increased by 10.1% between July last year and the guaranteed price to January next year. Plaster bricks rose in price by 11.9%.
Gypsum reaps the rewards of high efficiency

EDWARD WEST

IMPROVED demand for company products, higher capacity utilization and improved efficiencies have resulted in Gypsum Industries recording a healthy 32.7% for the year to June.

Reflecting increased demand, turnover increased 26.4% from R116,4m to R147,2m, today's year-end announcement shows. Improved efficiencies were reflected in higher operating margins which increased from 18.7% to 19.3%.

Operating income increased 31.8% from R21,8m to R28,6m. After R57.000 interest was paid and tax paid increased from R10,4m to R13,6m, taxed income showed a 33.4% increase from R10,9m to R14,4m.

Income attributable to shareholders increased 32.7% from R10,9m to R13,3m, which translated into earnings a share of 18.3c (12.8c).

A final dividend of 24c a share was declared bringing the total dividend for the year to 51c (42c). The directors reported balance sheet ratios as strengthening with net borrowings totaling R1.5m.

This placed the company in a strong position for expansion. The government's measures to cool the economy, resulting in higher interest rates, was expected to have an adverse effect on sales in the coming year.

In spite of this, Gypsum will maintain profits by improved efficiencies. To maintain adequate production capacity to meet market needs, Gypsum will increase production capacity by the construction of a third plasterboard plant.

Gypsum shares remained untraded yesterday at 95c. Net asset value increased from 48c in 1988 to 59c a share during the year to June 1989.

Gypsum is the sole supplier of plasterboard in SA. Earlier this year government prohibited Gypsum from refusing to supply products to Insulated Unlimited with whom Gypsum had a dispute over intellectual property rights.

Gypsum has decided not to appeal against government’s ruling. The dispute would be settled out of court.
Asbestos on the way out in US

THE use of asbestos in America is to be banned.

The Environmental Protection Agency (EPA) plans to phase out asbestos in the next seven years.

However, mining and milling of the mineral has not been banned, says Asbestos Report, published by Gefco and Maau.

EPA administrator William Reilly says that the American decision does not mean that other nations, especially developing countries, should cease to use asbestos.

The asbestos industry says the European Economic Community, the World Health Organisation and the International Labour Organis-
MINING

SA puts the finishing touches to its granite

TREAGUS and GROBICKI

THE STRENGTH of the international market for granite—or, more properly, dimension stone—has enabled SA producers to move increasingly into down-stream processing.

Having made significant headway in recent years in their established businesses—extracting large rectangular blocks of stone out of Highveld kopjes and plains, and exporting them—they are now looking for new opportunities.

Over the past few years they have used their huge cash reserves to expand their existing businesses as much as possible to exploit the current booming demand for stone from the construction sector.

And they have been using this handsome returns which the industry has offered, boosted by the significant tax allowances which exporters enjoy, but now they are also using their strong cash-flows to test the market for growth areas.

Stone producers have in the past been hindered from down-stream processing for the export market, as this offended their major customers in Carrara, Italy, the traditional headquarters of the dimension stone industry.

The Italians have always considered the finishing and polishing of stone their own preserve, to be guarded and secured at all costs. In the past any quarrying condescending down-stream processing.

But on its own, confronted with huge Italian customers, threatening to disrupt supply, has had to look elsewhere.

Various attempts to export processed slabs have met with scant success and imposed costs.

Another difficulty was to acquire cutting and polishing machinery, which were only obtainable from Italy, and manufacturers of processing machinery were very close.

But the growth of the industry has overcome the Italians, who are now unable to keep up with the enormous demand from the construction sector, where stone is increasingly being used as cladding and tiling.

The industrialisation of the Far East has been partly responsible for the growth in demand, but more importantly, it has spawned new producers of processing machinery who can compete with the Italians.

This may also ease the shortage of machinery. “There is presently a waiting list of up to 12 months for new machinery,” says Rob Brown, a director of Keeley, one of SA’s big three producers (the others are Marlin and Japa).

So the Italian grip on the market is loosening—and although SA producers are still treading carefully, Bob Keeley and Marlin recently announced new moves.

Keeley has built a 55km plant to produce granite tiles at Dumbaza in the Cape. The plant has a capacity to produce about 40,000m² of tiles annually, all of which are to be exported “for the foreseeable future”.

Two weeks ago Marlin announced that it had bought a 90% stake in Marble Pentelic, a local processor of stone for use in the building industry, for an undisclosed sum.

“It’s a natural progression for us to move into processing,” says MD Graham Treagus. He says there is enormous potential for polished stone “right here on our doorstep”, although Pentelic also “has one eye on the export market”.

Keeley also told Business Day it intended establishing a sawing and polishing plant in Garankuwa, Bophuthatswana. Total capital investment for this venture is R3.5m. Its existing sawing facilities at Brits will also be moved to Garankuwa.

The plant will be capable of processing 20,000 tons of stone a year, primarily for the local monumental and construction market.

The main reason for the move to Garankuwa, says Brown, is that it is central to Keeley’s quarries, which are located near Rustenburg and Bophuthatswana.

It is also well-known that Bophuthatswana, and other homelands, are keen to see the mineral resource companies that operate in these territories add value there as well. Hence the decision by Rustenburg Platinum to establish its refinery in the homeland.

Impala is a private stone company owned by Deutsche Stein AG, a German-based stone-processing concern. Its processing activities are restricted to the monumental market, local and export, while the parent company processes stone primarily for the German monumental market.

Two other JSE-listed producers, Kudu and Aurora, are both considering feasibility studies on processing and it is only a matter of time before their cash-flows permit them to start.

But there is another reason for companies to add value to their stone, a shift in government thinking from incentives for export to incentives for added-value (before exporting). Thus, it is hoped, will boost SA’s foreign exchange reserves even more.

The talk is that government is looking at a system whereby exporters will be rewarded through straight cash incentives for value addition, rather than the existing tax-driven scheme.

Aurora chairman Ted Grobicki says this is an important reason for granite companies to get into down-stream processing.

Aldo Brown “It’s the only way to go. It’s quite rightly becoming a national priority. We have a vast mineral wealth, and we’re not making nearly as much profit out of it as we could.”

The latest figures from the Minerals Bureau show that SA dimension stone exports for June: 41,325 tons—were almost as much as the record set in June last year, at 41,823 tons.

Exceeds


In volume terms, however, June this year far exceeds any previous record, at 16,768, compared to the previous high of 1,237m in April this year, when volume exports were 33,867 tons June last year was 12,270.

Unfortunately these figures exclude Bophuthatswana, where a large proportion of southern Africa’s dimension stone production takes place.

Cubes of stone cut from Highveld kopjes will now be polished in SA.
Curves, patterns or arches

DESIGNING and building a brick wall has never been so easy.

Brick and Tile offers a package comprising superior clay or concrete products and a range of building materials and free professional advice.

"Whether you are planning a prestige garden wall or an exciting feature wall inside the house, we have it," said Mr Peter Smith, manager of the company.

He said exciting things could be done with a feature wall: "You can introduce curves, provide interesting surface patterns, or build archways and other openings."

Smith said a properly-constructed face brick wall was less expensive than one might believe and that, in the long run, it was more cost-effective than a plaster-and-paint finish.

For further information about Brick and Tile, write to P O Box 2269, Edenvale 1401, or phone Smith at (011) 53-9809.
Keeley earnings growth as solid as its granite

KEELEY Granite’s performance continues to bear out the strong fundamentals which have developed in the international granite market.

In the six months to end-June the group posted attributable earnings of R31,2m — 43% up on the R14,8m earned in the comparable period last year.

Turnover for the group’s quarries was 36% up at R87,4m (R64,4m), reflecting the combined effects of a weaker rand and higher sales volumes.

The group has declared an interim dividend of 35c a share — 75% up on the previous year’s 20c.

While black granite — for which SA quarries are famous — remains the group’s prime earner, Keeley has also made substantial moves into the coloured stone market.

ANDREW BUDDEN

Directors say a new green granite quarry has been established in Natal to tap a strong demand for the product in the Far East building market. A first test-block was removed from the quarry recently.

A spokesman yesterday said the deposit was ideal in certain respects. Being near Durban, transport costs to the port would be kept to a minimum. The large reserves also pointed to a relatively long-term project extracting from a large, solid formation.

Keeley has also successfully negotiated with Ssa for a lease at “A” Berth on the Durban harbour quayside and secured preferential berthing rights for ships loading its product.

Spearheading the trend toward local beneficiation, Keeley recently commissioned a granite tile factory in Coates. Its first operation is scheduled to reach its full production of 3500m² a month by February next year.
GYPSUM INDUSTRIES

Expansion plans

Activity: Produces gypsum and related products, wall and ceiling plasters and plasterboard

Control: BPB Industries (UK) holds 49,5% and Blue Circle (SA) 32,4%

Chairman: D A Fairburn, managing director G A P Fraser

Capital structure: 8,2m ords of 20c Market capitalisation R66,8m

Share market: Price 815c Yields 6,3% on dividend, 20% on earnings, PE ratio, 5, cover, 3,2 12-month high, 900c, low, 640c Trading volume last quarter, 54 150 shares

Financial: Year to June 30

<table>
<thead>
<tr>
<th>'88</th>
<th>'89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>82</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>22</td>
</tr>
<tr>
<td>Debt equity ratio</td>
<td>0,26</td>
</tr>
<tr>
<td>Shareholders interest</td>
<td>0,88</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>44,0</td>
</tr>
<tr>
<td>Debt cover</td>
<td>1,5</td>
</tr>
</tbody>
</table>

Performance

<table>
<thead>
<tr>
<th>'88</th>
<th>'89</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on capital (%)</td>
<td>32,0</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>116,4</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>21,8</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>18,8</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>10,1</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>122,8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>42</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>481,5</td>
</tr>
</tbody>
</table>

Gypsum Industries ended its 1989 year with record results, producing the highest turnover and bottom-line earnings since the group listed about 50 years ago. Turnover rose by 26,5% to R147m and EPS rose 32,7% to 162,9c. Since 1985, dividends have risen by 127% to 51c (22,5c)

Chairman Derek Fairburn says that the payout is “most satisfactory” in view of the additional R1,7m cost incurred as a result of the northern Cape floods, which affected the group’s gypsum mine. Costs were increased as another source of gypsum had to be found. The mine has since recovered fully.

Improved sales volumes resulted in a high level of plant usage and the operating margin improved to 19,6% (18,8%). Productivity and cost reduction programmes also contributed to increased profits and a stronger balance sheet.

Long-term loans were reduced by R1,1m and the bank overdraft by R5,1m. Net borrowings thus fell to R3,7m (R9,8m) and gearing to a negligible level. The directors believe that this places Gypsum in a position to finance expansion internally this year.

Though the subsidiary, Donn SA (Pty), managed to overcome increased competition — its pre-tax profit rose by 32% — competition is expected to cause a levelling off in the high rate of profit growth which the company has achieved in recent years.

The directors take a sanguine view of the coming year. Though they expect demand to taper, they believe that further improvements in efficiencies should buttress earnings growth. Production capacity is to be expanded with construction of a third plasterboard plant. Management declines to quantify the cost, but a negative impact on earnings is not foreseen.

At 815c, the share stands on a pre of 5 times and a dividend yield of 6,3%, which compares with the averages of 7,0 and 5,6% for the building and construction sector.

Jacques Maglotho

---

![Graph](chart.png)

**Gypsum**

<table>
<thead>
<tr>
<th>Cents</th>
</tr>
</thead>
<tbody>
<tr>
<td>600</td>
</tr>
<tr>
<td>700</td>
</tr>
<tr>
<td>800</td>
</tr>
<tr>
<td>900</td>
</tr>
</tbody>
</table>

**Source:** J D Anderson

Sep | Nov | Jan | Mar | May | Jul | Sep

1988 | 1989
The changing face of construction
Complete Masonry: The Changing

and the problems facing the construction industry.
and the Masonry Association in South Africa.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.

OVAC, ECK's important role of the Complete Masonry Association of South Africa.
and the Masonry Association in South Africa, and their role in promoting the development of the industry.
Cementation increases year's dividend 78.6%

BARRY SERGEANT

CEMENTATION, the 49% associate of Trafalgar House PLC, increased its final dividend to 4½c (2½c), which, along with an interim of 3½c (1½c), gave a 78.6% increase in full dividends to 7½c (4½c) a share. Also in the year to end-September, earnings were increased 23.5%, from 129½c to 155½c a share. The share traded yesterday with no price change and closed at 800c, below the 12-month high of 850c but well above the low of 490c.

The increase in turnover was normal — 6.5% to R34.7m (R31.2m) — but attributable earnings were increased 23.6% to R10.7m. Financial director Tony Borer says the 1988 figures were restated to take account of export incentive allowances.

These were taken in high up in the income statement, on the line of net income before interest and tax, which increased 14.1% to R12.1m. Borer says the allowances involved sensitive negotiations with the relevant authorities.

The negotiations were earlier referred to in the 1988 chairman's statement and the March 1989 interim report. While it may seem a case of semantics to some, Borer explains the dividend cover changed from the original 2.1 to 2.9 times for 1988.

This says Borer, is the "contributing factor to the 78.6% increase in ordinary dividends for the year." The dividend cover for 1989 is 2.1 times CE Graham Lotter says rationalization of inefficient areas has accounted for the improvement in pre-tax profits and "is in the group's intention to continue to address such areas in the future."

The tax charged through the income statement fell 19.5% from R5.6m to R4.5m. This is attributed to the group taking full advantage of tax incentive allowances in the export sector.

Says Lotter: "The possibility of export opportunities was a major incentive in the recent acquisition of Railway Track Supplies, formerly Raceco, which is engaged in the manufacture of railway track, points and crossings and accessories. Together with this, we intend to pursue a policy of maximising exports in different areas of our business in the coming financial year."

Lotter and Cementation's managing contracting division is holding its own and he feels the group is in a good position to take full advantage of SA's increased acceptability in world markets related to the engineering sector.

On the balance sheet, ordinary shareholders' interest increased from R39.7m to R44.3m. Long-term liabilities were down to R16.9m from R25.2m, while current liabilities increased 20.7% to R126.2m.
PRODUCTION at Kudu Granite's Belfast quarry increased substantially the previous low base and Belfast is now making a satisfactory contribution to group profitability.

Kudu's turnover for the three months ended September amounted to R6,26m with taxed profit at R1,0m.

The group's policy of diversification has been pursued by the acquisition of various rights for coloured granite. A quarry was opened last month and is expected to be fully operational by February.

Market reaction to the quality and colour of this material has been favourable and a positive contribution to earnings is expected. Further expansions are planned for the third quarter, according to the delayed quarterly report.

The board of directors has been reconstituted. Paul Ferguson has been appointed chairman and Peet du Tost remains MD.
PPC looks beyond border

PPC, SA’s largest cement and lime-group, is looking beyond its borders for expansion. Convinced that neighbouring states provide good opportunities for extending the group’s areas of operation, PPC is considering investing in a company that will construct and operate a cement-producing facility in Botswana.

At the same time, chairman John Hall says in his annual review that PPC is to acquire a 50% interest in a company that designs residential structures which can be erected speedily and efficiently on problematic soils. Hall says PPC is focusing attention on increasing the consumption of cement — which accounted for almost 66% of 1989 earnings before interest and tax.
PLATE Glass & Shatterprufe Industries has reported stagnant earnings in the six months to September, but joint executive chairmen Ronnie and Bertie Lubner hold their heads high.

Ronnie Lubner says: “We spent millions on revamping operations in several companies and countries - and because most of it happened abroad, we put the additional cost through the profit and loss account. Ordinarily, we could have capitalised these items as goodwill.”

Scratch

“Two years ago, for instance, we decided to get out of the wholesale glass business in the United States because there wasn’t enough value added there. We made a large capital profit on the sale of our wholesale operations, then started looking to buy retail motor glass operations.

“Well, P/E’s in the US for going concerns these days were simply too high. We decided to build a retail chain from scratch. It has gone well—we now have 100 stores in 13 states—but it has been expensive.”

“Because these new stores have to reach first, ordinary motorists, second, panel beaters and finally insurance companies, it generally takes 30 months for each to attain profitability. Of the 100, 30 are not contributing to profits at store level.”

Consolation

The brothers Lubner estimate that development costs lockdown 97c a share — fully 46% - off bottom-line earnings in the half-year. The process started last year when earnings were reduced by 46c in the half-year and 15c in the year.

The consolation for shareholders is that there will be a geared recovery when the new operations attain profitability because assessed losses have been built up and they will pay no tax for some years.

Bertie Lubner reports that the Australian wood subsidiaries have undergone a similar exercise.

“The furniture industry in Australia is different from here. There are about 10,000 small carpentry and joinery outlets there. They are poorly served by existing wood suppliers, so we have built up a chain of outlets based mainly in the suburbs to serve these small contracting shops and do it-yourself market.”

“Our stores are also small. They are stocked by trucks operating from bigger ‘mother-ships’. Our customers can’t believe they can get same-day delivery. We want to be spread right across Australia.”

Operations in Europe and SA did well. PG has 155 auto and flat glass outlets commanding 40% of the replacement market in the UK. It is so dominant that it has to obtain permission from the Office of Fair Trading to make acquisitions. On the Continent, there are 65 outlets in eight EEC countries.

Lobbies

Bertie Lubner reports a change in emphasis in the international wood division from trading to adding value at source. The change reflects changed customer requirements, environmental lobbies and changing trade patterns.

SA accounts for 40% of profit. SA profit growth was 25%. The Lubners say both the motor and building industries are slowing, but they seem confident. Earnings will hold. Domestic sales are more lucrative than exports, but PG is committed to exporting.

Glass SA, the main manufacturer, has come close to capacity. Glass SA (owned 46% by Pilkington UK), 44% by Plate Glass and 8% by Old Mutual) will have to contemplate a new float glass plant in the next six years or so. Cost today would be R160-million.

The result in a nutshell: PGSI lifted sales by 16% to R1 372-million, operating profit 29% to R145.3-million and taxed attributable profit 7% to R24.9-million. That equated to earnings a share of 212.9c (199c 210c). The 6c interim dividend is unchanged. Non-trading items this half-year were R14.1-million against R10.4-million last year.

Comeback

PG is in a good strategic position in being able to manufacture windowed glass here for a large variety of cars imported by the US — cars that are common currency in Europe as well. It will be interesting to see whether the market takes fright at the standstill reported today or whether it remains convinced that PG is a good rand hedge set for strong comeback in the next two years or so.”
Plate Glass finds the going tough overseas

Finance Staff
Plate Glass and Shatterpride's earnings were depressed by some 97c a share in the six months ended September after costs of the group's international expansion rose substantially.

The group's foray into the international market had already pushed down earnings by 15c a share in the 12 months ended March and the expansion to the US, the EC and Australia is going to cost the company a great deal more in the near future.

In order to reduce the costs the company is reportedly believed to be negotiating with an overseas partner to fund its offshore wood operations and an announcement is expected within weeks.

The rising expansion costs help explain why attributable earnings for the six months to September rose only one percent from R34.6 million (210c a share) to R35.1 million (211.9c) and why the interim dividend is unchanged at 65c.

Group turnover, however, reflecting the additional business being generated as new international operations came on stream, increased to R1.6 billion (R1.4 billion) and margins also improved, with pre-tax profit up by 29 percent to R145.5 million from R112.4 million.

The joint chairman, Ronnie and Bertie Lubner, say that as the group is starting from grass-roots level in the US, start-up expenses have been high.

Of the group's current 100 US outlets, just 30 are not making a profit and of these 20 are less than six months old.

Looking ahead, the Lubner brothers say it appears likely that a similar picture will emerge in the second half indicating that full year results will be around the same level achieved in 1988/89.
Cemenco gets R1.4-m Kriel contract

A R1.4 million contract covering the casting and machining of pressure vessels and parts for the pneumatic conveying system to handle fly ash at Kriel power station has gone to Cemenco Foundry.

The contract, awarded by Simon Carves, is one of the biggest undertaken by Cemenco.

Mr David Moore, director, Simon Macawber, a division of Simon Carves, says: "Our local manufacturing programme has been running for four years and we now have the largest assembly plant outside our parent company in the UK."

"The quality of the components must be equal to, or better than, that expected in the UK. Quality control is, therefore, an extremely important aspect in the casting and machining process."

Cemenco is casting the ash vessels from ductile iron, the valves and components from grey iron and the pipe bends from nodular.
1000 needed to fill jobs on Mossgas

PORT ELIZABETH. — About 1000 men are needed to fill jobs on a huge new Mossgas contract worth R170 million.

"I would like to think that we can fill most of these jobs with men from Port Elizabeth," said Mr Dave Stewart, construction director of Babcocks Engineering.

The 87-week contract starts next month and will provide welcome jobs for new trained people in the city.

It is for the mechanical, electrical and instrumentation construction work for the synthol refinery plants at Mossel Bay.

Extensively involved

Babcocks is already extensively involved in Mossgas assembly work in Port Elizabeth, building four modules for the offshore rig in the city’s harbour.

"I am sure there will be many from Port Elizabeth getting involved in the refinery work from now on," Mr Stewart said.

"Our personnel people have just arrived in Port Elizabeth and started recruiting."

"We hope to find most of our labour there."

Mr Stewart said Babcocks was satisfied with the men taken on after training at the Eastcape Training Centre.

"They have mastered the necessary skills and we gave them further on-site training," he said.

He said men employed on the modules in the harbour would most definitely be used on the refinery work as the module contracts came to an end.
R60-m expansion at Gypsum Industries

Gypsum Industries is embarking on a R60 million expansion programme to meet demand for plasterboard products in the 1990s.

Growth plans, centred on a recently acquired factory and warehouse complex in Brakpan, will represent the company's biggest single investment in its 60 years in South Africa.

The expansion will boost Gypsum's capital expenditure to more than R120 million since 1989.