MANUFACTURING.

PAPER & PRODUCTS.

APRIL - AUG. 75

FEB. - NOV. 77,

JAN. - OCT. 78.
10. Arteriosclerotic, degenerative and result of over-nourishment in high socio-economic groups.
11. Hypertension has been categorized as a socio-economic status.
12. In the other respiratory diseases to be infections of the respiratory for bronchitis and influenza would.
13. Pneumonia is largely associated with although this is not so for every c.
15. With c activities: Produces and distributes packing papers. Tissue papers are made by a wholly-owned subsidiary, Southern Paper Industries at Belville, Cape. Holds 51.8% interest in Rhosphere. Ultimate holding company is AFC.
16. Trai in 1

Before deduction of the share of minority interests, the profit was R127,000 (R52,000). The improvement seems to have been reflected unevenly in the divisions of the group. Rhodesian Polp & Paper contributed 56% of the total. Results of the Klipriver Mill improved, while Southern Paper Mills "operated profitably." Intense competition faced by the Southern Products paper tissues division during its first full year of operation resulted in no profit. However, there was "improvement in market penetration and steady reduction in losses" during the second six months. In the cut of year, a small profit is in prospect from this source.

Chairman Ian MacKenzie mentions again in his report the attractions of "achieving a better balance between long and short term loans and shareholders' capital." He also points out that the R77,000 profit represents only 3.6% of turnover. Replacement of some portion of the interest burden of P1,000 with equity would certainly help this ratio, even if not meaningfully from the point of view of shareholders when profits begin to attract tax as investment allowances fall away.

At the same time, outside shareholders are not too keen to acquire further bearing equity while more than half the profit derives from Rhodesia. In general, MacKenzie's particularly eloquent charge of terms offers little analysis of prospects for the current year, especially when he appears to tread a tightrope issue. He does suggest that the rate of return on sales will improve in the next few years — which might, of course, be the result of a right price policy and that the "upturn now evident in the South African economy will result in the group materially improveing its position," which might refer to the same thing.

Certainly, the element of high gearing in this capital intensive group has just proved that earnings can improve swiftly. Nonetheless, without bettering of political prospects in Rhodesia, it is hard to foresee substantial further immediate improvement in the price of the shares.

— David Price
Second-half turnaround

Premier Paper has turned a first-half loss into a higher overall profit for the year to June 30. Earnings rose to 36c (28c) and the 18c dividend has been maintained. At end-December the loss attributable to shareholders amounted to 20c a share.

Sales for the year were up 27% to a record R24,1m. Pre-tax earnings improved 41% to R877 000 and no tax was paid (1977: tax of 3,4%) because of investment allowances on new plant. Tax is expected to remain low for at least the first half of the current year.

The improvement stemmed largely from a 93% profit rise at 51,8%-owned Rhopulp. Prospects for this company may improve even more with the recent rise in newsprint prices in Rhodesia. But overriding this is the apparently fast deteriorating security situation in the country.

In the year to June 30 Rhopulp earned R846 000 (R461 000). It resulted in R491 000 (R239 000) contribution to Premier’s pre-tax earnings of R491 000 (R239 000), equivalent to 56% of pre-tax profits.

Premier’s paper and tissue operations contributed about R416 000 (R385 000) to pre-tax earnings.

Despite scepticism about the hopes for an unchanged annual dividend at the half-way stage, the market has not responded to the prelim. The shares are unchanged at 165c, yielding 10,9%.

Des Kilala

Financial Mail September 8, 1978
Tying up Barlow’s takeover of Reedpak, Reedpak is buying Barlow’s paper and packaging interests (Barpak) for R18,75m. Barpak will be rationalised and merged with Reedpak to form Nampak, which will be by far the largest paper and packaging group in SA. The combined group will have a market capitalisation of R139,4m.

The R18,75m consideration is to be paid by the issue of 2.8m Reedpak shares at 500c and R4,75m in cash. The deal.

If the market takes it up:

Old Mutual is paying 430c per share, which is a 17% discount to the current Reedpak price of 500c and a 14% discount to the issue price of 500c. But when the deal was first negotiated Old Mutual agreed to pay the current market price. Old Mutual will then become the second largest single shareholder, with a minimum of 3.1m shares. If Reedpak minorities accept the standby offer of 430c per share, which runs until September 8, Old Mutual could be committed to a further outlay of R38m.

There are no rational grounds why the standby offer will be accepted by Reedpak holders, but a break in the market could change matters. Non-resident holders of Reedpak may be tempted to accept the 430c standby offer as they will be allowed to remit the proceeds in free rand as opposed to security rand where the present discount is about 37%. In sterling terms, the shares are worth 257p via the standby offer, but the equivalent is 196p via the discount. About 400,000 shares, or 1.5% of Reedpak’s equity is held by non-residents.

Of the total consideration of R64,6m Barlow is paying for Reedpak, R18,05m will be self-financing. Barlow is raising about R40m in overseas loans and R25m through a rights issue. It will receive R13,5m from the sale of shares to Old Mutual and R4,75m from Reedpak for the purchase of Barpak. This gives Barlow’s a cash inflow of about R18,05m over and above the R64,6m it will raise. This will be used to reduce local borrowings and partly offset the rise in the group’s total debt.

Based on the projected earnings for Barpak for the year to September 30, and Reedpak’s earnings for the year to end-June, the acquisition will increase Reedpak’s earnings on the enlarged base by about 3c per share. This implied that Barpak’s taxed profits are around R3,2m, which in addition to Reedpak’s taxed profits of R18,1m for the year, gives earnings of about 78c per share.

The acquisition of Barpak will reduce Reedpak’s nav by about 16c from 325c to 309c per share. On a strict accounting basis, taking into consideration the market premium over net asset value, Reedpak is buying assets worth R9,6m, and paying about R9m goodwill. How-

---

**The Secrets**

**Dear,**

Thank you for union me your hel

Yours s

**DELTA**

---

**Elisia Koko**
8.) Es ist die Pflicht e)n Schwachen. 
Lösung:
9.) Es ist heute ueblich. ritterlich". 
Lösung:
10.) Es gelang den Kreuz. ten Palaestina 
auf die Dauer. folgt:
Lösung:
Beantworten Sie die Frage:
1.) Seit dem Sieg Kaiser. auf dem Lechfeld 
beegangen die Deutsch. en zu erobern. Land im Suedosten 
Frage: Seit wann beg. ve oderb? 
Lösung:

PACKAGING 194
The wraps are off | FM 3 78
The merging of Reed Nampak, with its
50 or so packaging subsidiaries, and
Barlow's packaging interests into a com-
posite to be known as Barpak (see Fox),
means that the new company, in turnover
terms, will be almost twice as big as its
sole major rival, Kohler Brothers.

In fact, industry estimates suggest that
between them Barpak and Kohler will
account for around three quarters of the
packaging business. That is, distroying
other major areas such as glass and cans,
and focusing on the wood pulp sourced
products and placers on which both
groups concentrate.

At the risk of putting a few roses out
of joint it’s fair to say that very few
packaging companies of any real conse-
quence will remain outside of the two
major camps. Lion Match’s Interpak,
Robinson’s and Cape & Transvaal
Printers come to mind. For the rest it’s
left to a host of smaller printing houses
and so on to fight over the thin end of the
business.

In short, three quarters of the pack-
aging business will now be split something
like 65%5 between the two majors, with
Barpak taking the thick end of the action.
This is also reflected in each group’s
estimated turnover of R26bn and
R12bn respectively.

The packaging industry structure is
such that pulp and paper materials con-
tinue to dominate (at an approximate
80%) over plastics usage. Within that
framework Barpak is likely to remain
as the dominant economy oriented

Frage: Wozu mussten sich die Gefolgsleute dem Koenig gegenueber
verpflichten ?
Antwort:

4.) Der deutsche Koenig reiste im Lande umher, und er wohnte in
"Pfalzen", in Koenigsburgen. Eine eigentliche Hauptstadt
hatte er nicht.
Frage: Wo wohnte der deutsche Koenig ?
Antwort:

5.) Otto I. wurde 962 in Rom zum Kaiser gekroent. Damit began das
Heilige Roemische Reich.
Frage: Was begann mit der Kaisererkronung Ottos im Jahre 962 ?
Antwort:

6.) Die Autoritaet des Kaisers erreichte ihren hoechsten Punkt im
Il.Jahrhundert, als die fraenische Familie der Salier
regierte.
Frage: In welchem Jahrhundert erreichte die Autoritaet des
Kaisers ihren hoechsten Punkt ?
Antwort:

7.) Der Ausgang nach Canossa war eine schwere Demuetigung fuer den
Kaiser, und noch heute redet man von einem "Canossa-Gang",
wen man schwere Demuetigung meint.
Frage: Wann redet man heute von einem Canossa-Gang ?
Antwort:

8.) Die Kultur der Ritter war tiefreligioes wie die der Moeche,
aber da die Ritter nicht im Kloster lebten, musste ihre Kultur
weltlich sein.
Frage: Warum muss die Kultur der Ritter weltlich sein ?
Antwort:

Abschnitt 3 - Barbarossa
Wie lautet der Superlativ ?
Beispiel: Heinrich der Loewe baute einen grossen Dom.
Lösung: Heinrich der Loewe baute den grossten Dom.
Better capacity utilisation rather than steeply increased sales caused operating profits to rise 43% off an admittedly low base to R4,2m. Interest savings made the pre-tax improvement 64% to R3,7m but a higher tax rate reduced the earnings improvement to a still impressive 59%. Taxed income was R2,2m (R1,4m) and earnings 14,2c (8,9c).

Six months ago the tissue and paper wadding market was looking badly oversupplied. Carlcor and Southern Paper had installed vast and expensive new tissue making capacity just as Stanger commissioned its big new plant. To exacerbate matters, recession caused sales to slump. Profits throughout the industry reflected this, not least Carlcor, which dropped 41% to R2,6m in 1977.

Carlcor's experience of the past six months, however, has been that demand for more sophisticated and more profitable products such as double ply toilet tissue, paper nappies and sanitary towels increased. These products use more tissue than single ply toilet tissue and the trend has had the effect of using up much of the supposed surplus capacity in Carlcor. Cost savings and productivity drives also contributed to the better figures.

So, while Carlcor's sales rose only 5% to R26,7m (R25,5m) in the half year, margins improved from 11,4% to 15,6%.

Last second half Carlcor earned 7,8c. If it merely level pegs this year, earnings will be 22c, compared to 16,8c last year. But this looks a conservative forecast. With consumer sales still improving and Christmas ahead, Carlcor should increase sales and hold margins in the second half. Earnings of 10,8c or 25c for the year look within reach. Policy is dividend cover of 2,1c which suggests a 12c payout for the year.

The current price of 150c puts the share on a prospective yield of 8%, about average for the industrial market. The gross for net argument is very pertinent to Carlcor, so there is plenty of further recovery potential. But from here profit growth should be slower and so should movements upward in the share price, which has risen 40c or 36% since end March.

The improvement at Carlcor should be helpful to Sappi. If Carlcor does achieve 25c or R3,9m in earnings this year, it will contribute R1,5m or 5,4c per share to Sappi. This compares with the R1m or 3,6c contributions to Sappi's 44,6c earnings of last year.

David Carne
REEDPAK/BARLOWS

Structuring the deal

Acquisition of Reed's 62% of Reepak would make Barlow the biggest paper manufacturer in SA. Barlow Packaging Investments produces corrugated packaging and the group also owns C E Hudson, retailing packaging machinery and systems; Cosmos Paper Products, manufacturing tissue paper products; and Peters Papers, merchandising paper.

Total turnover of these interests was R38.1m (R32m) in the year to September 1977 for pre-tax profits of R3.8m (R3.6m), and an average pre-tax margin of 9.9%. This compares with Reepak's pre-tax margin of 17% last year, which will be higher this year, with sales likely to reach R190m and profits R19m.

Reed's 62% stake in Nampak, brought in via the securities rand in 1976, cost R58.4m or an average of 392c per share, and has yielded R6.7m in total dividend income. The present share price is 520c backed up by a net asset value of 288c. The chances are that Reed would sell at a discount to the market, so Barlow would not have to make an offer to minorities.

The bulk of the deal would probably be funded by Barlow's paper. If the price for Reepak was 450c and Barlow bought only 51% control, the deal would cost R55m, or 13.6m Barlow shares at the present price of 403c assuming they could be underwritten for cash at this level. Reed can repatriate its funds via the securities rand market.

Once Reepak has been sold, Reed is left with Stanger and quoted Spicers as its major investments. It will also have Palladium Stationers, Tension Envelope, Pipekor, Twyfords, Allied Brass and Reed Irrigation. These apparently have a total turnover of about R50m. It seems likely that they will also come onto the market in due course.

Gail Pemberle
<table>
<thead>
<tr>
<th>Family income group</th>
<th>Average family income per month (R)</th>
<th>Average income per person (R)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>8D - HOUT BAY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-99</td>
<td>63. 3.16</td>
<td>65.97 20.88</td>
</tr>
<tr>
<td>100-199</td>
<td>10. 3.60</td>
<td>136.40 37.89</td>
</tr>
<tr>
<td>200-299</td>
<td>3. 4.33</td>
<td>216.00 49.85</td>
</tr>
<tr>
<td>300-399</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>400-499</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>500-599</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>600-699</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>700-799</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>800-899</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>900-999</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>1000+</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>76. 3.26</td>
<td>81.16 24.87</td>
</tr>
<tr>
<td><strong>8E - ZEEKOEVELI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-99</td>
<td>63. 4.22</td>
<td>60.46 14.32</td>
</tr>
<tr>
<td>100-199</td>
<td>44. 5.59</td>
<td>132.89 23.77</td>
</tr>
<tr>
<td>200-299</td>
<td>19. 7.26</td>
<td>234.32 32.26</td>
</tr>
<tr>
<td>300-399</td>
<td>6. 8.50</td>
<td>327.17 38.49</td>
</tr>
<tr>
<td>400-499</td>
<td>1. 7.00</td>
<td>434.00 62.00</td>
</tr>
<tr>
<td>500-599</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>600-699</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>700-799</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>800-899</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>900-999</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>1000+</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>133. 5.32</td>
<td>124.10 23.31</td>
</tr>
<tr>
<td><strong>8F - PHILADELPHIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-99</td>
<td>66. 3.44</td>
<td>62.65 18.22</td>
</tr>
<tr>
<td>100-199</td>
<td>30. 4.87</td>
<td>127.50 26.80</td>
</tr>
<tr>
<td>200-299</td>
<td>10. 6.40</td>
<td>254.20 39.72</td>
</tr>
<tr>
<td>300-399</td>
<td>1. 4.00</td>
<td>314.00 78.50</td>
</tr>
<tr>
<td>400-499</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>500-599</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>600-699</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>700-799</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>800-899</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>900-999</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>1000+</td>
<td>0. -</td>
<td>-</td>
</tr>
<tr>
<td>Totals</td>
<td>107. 4.12</td>
<td>101.08 24.53</td>
</tr>
</tbody>
</table>
SIGNIFICANT RISES IN EXPORTS

Pulp and paper dodge the worst

THE pulp and paper industry's sales and output were not seriously affected during the last two years' recession — good news indeed for a business so vital to Natal.

And this despite agonised noises from segments of the industry, which accounts for about four percent of South Africa's total manufacturing output.

Overall production held its own through significant rises in exports, and also import replacement.

There is no doubt, however, that ill-timed capacity expansions have resulted in large excess capacity in several sectors of the industry and led to pressure on company profitability.

Though the recession did catch up with the industry last year, since the beginning of 1978 the volume of unfilled orders and production have risen again in line with the broadening recovery in the economy.

Of the significant increases in capacity during the past two years, Standard Bank economists find that much of the expansion has been concentrated in the tissue paper sector where production potential has risen from about 35,000 tons a year to around 85,000 tons. Because of the recession, though, little or no growth occurred in demand and domestic offtake is still only around 55,000 tons a year. This implies surplus capacity in the region of 35 percent.

However, the packaging paper segment is considerably better off and despite large increases in production capacity, utilisation is running at around 85 percent as a result of substantial exports.

Overall industry exports rose substantially during 1975 and 1976 and the bank calculates they now account for 15 percent of total pulp and paper sales.

Major successes have been achieved in the exportation of chemical wood pulp, as well as imitation kraft and semi-chemical paper and board. An important market has proved to be the Far East which South African producers have been able to penetrate on account of the Japanese need to import its raw materials.

In addition, the yen's appreciation against other currencies, particularly the dollar and consequently the rand, has made paper relatively cheap.

Local manufacturers have also been able to compete in South America, because of high transport costs from the US, and in Britain through price and quality factors.

Import replacement has also partly compensated for poor local demand. The paper industry obtains almost all its raw materials from domestic sources while imports of finished products such as tissue paper, newsprint and uncoated fines are negligible at present.

Despite local capacity expansions, however, imports of packaging papers are still significant, as are those of coated fines. But these are limited primarily to types and grades of paper which local manufacturers cannot make economically for the small market.

The industry's outlook, according to the bank, will be significantly shaped by the behaviour of the economy during the coming months. As the economy expands, so the volume of advertising will increase and thus push up demand for newsprint, packaging, fines and tissue papers.

The potential for further exports exists. But world prices are currently too low to be attractive. In the longer term any firm growth in domestic demand will place some constraints on export capabilities unless capacity expansions take place in those industry sectors which currently produce at relatively high utilisation rates.
The packaging industry is an excellent yardstick to measure the economy's progress, and provides one of the first indicators of a turnaround. First Kohler and now Reed Nampak have announced excellent results, for the six months to June 30, confirming that the economy is well on its way.

Kohler announced a 51% pre-tax profit increase, up R2.3m to R6.8m for the half year. And now Nampak's pre-tax profits are up R3.6m, or 34%, to R14.3m for the same period. Nampak's comparable figures have been adjusted to include the attributable earnings of the printing and packaging interests acquired from Reed Corporation in November 1977 with effect from January 1977.

Like Kohler, Nampak is an example of marginal profitability. The packaging industry is very much a volume business.
**LION MATCH**

**Status change ahead**

**Activities:** Manufactures and distributes matches and razor blades. Also has packaging and printing interests through Interspak. Owned 65% by Wilkinson Match (UK).

**Chairman:** H A Williams; managing director: R W Harker.

**Capital structure:** 8.7m ordinaries of R1. Market capitalisation: R17.8m.

**Financial:** Year to March 31 1978. Borrowings: long and medium term, R181 000; net cash: R2.5m. Debit/equity ratio: 2%. Current ratio: 2.3. Net cash flow: R2.5m. Capital commitments: R82 000.

**Share market:** Price: 205c (1977-78: high, 210c; low, 120c; trading volume last quarter, 27 000 shares). Yields: 16.9% on earnings; 8.5% on dividend. Cover: 2. PE ratio: 5.9.

<table>
<thead>
<tr>
<th></th>
<th>'74</th>
<th>'75</th>
<th>'77</th>
<th>'78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap %</td>
<td>17.1</td>
<td>18.1</td>
<td>17.7</td>
<td>21.3</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>29.8</td>
<td>27.8</td>
<td>30.0</td>
<td>36.7</td>
</tr>
<tr>
<td>Gross profit (Rm)</td>
<td>4.5</td>
<td>4.6</td>
<td>4.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>16.9</td>
<td>18.4</td>
<td>15.7</td>
<td>16.2</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>18.3</td>
<td>17.9</td>
<td>27.7</td>
<td>34.6</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>12.0</td>
<td>13.0</td>
<td>18.2</td>
<td>17.0</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>214</td>
<td>235</td>
<td>261</td>
<td>270</td>
</tr>
</tbody>
</table>

*15 months annualised

**What Lion Match needs is a decent size acquisition.** Since December 1974 it has rapidly degered itself from an initial debt ratio of 35% to a net cash position of over R2m. Having virtually saturated the match market, there is little scope for increasing investment in its traditional field, and anyway management recognises the need to broaden the earnings base. Already over a quarter of earnings source from packaging, personal products, tools and houseware.

It has the financial resources to take the non-match content of earnings close to 50%. This is on the assumption that it could find a R10m acquisition on a 20% earnings yield. Fully geared, such an acquisition would only restore the debt ratio to 35%, the level of three years ago, so it is well within Lion’s compass.

It is no secret that Lion is looking hard both at potential acquisitions and for additional consumer product lines to graft onto its fledgeling personal products division. As yet, the right company has not appeared, but shareholders should bear in mind that the potential of such a major acquisition would be to boost earnings by as much as 40%.

Another important factor that could have a bearing on Lion’s future, and adds interest to its investment qualities, is the effective change in its ultimate controlling company. The US conglomerate, Allegheny Ludlum, has bought Swedish Match’s 30% holding in the parent Wilkinson Match, and then, in a highly controversial manoeuvre, reversed its own subsidiary, True Temper Corp, into Wilkinson Match for more shares. This took Allegheny’s shareholding to 45%. Being controlled by a US conglomerate introduces a new element of fluidity to Lion’s future, which did not exist under the previous status quo.

Profit performance last year was highly satisfactory, due in the main to an increase in the match price. Because of the irregularity of such adjustments in the controlled price, Lion utilises a smoothing mechanism to report profits. A R1.85m pre-tax transfer to the “match price stabilisation fund” reduced reported earnings by a quarter and provides fat for the loan years ahead of the next price increase. Still, net earnings were up 25% from 27.7c to 34.6c.

But while profits are deferred, cash flow is not. Retained earnings last year were R4.3m, which explains the rapid repayment of borrowings and cash build-up. If no outlet for the cash is found this year, Lion could have nearly R5m in cash by the end of this financial year.

Slightly higher group profits are expected this year and with the established policy of increasing dividends at least in line with inflation, a minimum payout of 19c can be expected. This provides a 9.3% prospective yield at the current price of 205c. This in itself is cheap, but the added spice that Lion could become a status change stock, suggests that the shares should be bought at these levels.

Richard Stuart

Financial Mail July 7 1978
Inquiries this week at the Sappi HQ for long-serving MD, Ron Day, were transferred through various extensions and ended up with director Peter Stratten.

Stratten would say no more than “Mr Day resigned on Monday and we’re very sorry that he’s left us.” Day himself, tracked down at home, was little more forthcoming, relying on that hardy perennial: “Personal reasons.”

Whatever the cause, it appears to have been one of those desk-cleared-and-gone-at-5pm-never-to-return affairs, a sad end to a career with Union Corporation group dating back 24 years, and with Sappi itself to 1961. He became MD of Sappi early in 1973.

The Unicorp director with responsibility for industrial interests, Basil Landau, was out of town as the FM went to press, and could not be contacted.

However, there have been those who expected that Landau, who joined Union Corporation in 1976 after an eventful career mainly in the motor industry (he was, at different times, MD of both Leyland and Toyota) might strike sparks off those imbued with the more traditional mining house way of life.

If this is what happened, it’s ironic that the clash should be with the MD of one of the mining industry’s more successful diversifications. Sappi had a turnover last year of R197m and a net profit of R14m. Started from scratch by Union Corp in 1936, it now produces 430 000 t a year of paper products, and owns 87 000 ha of plantations.

Not surprisingly, 46-year-old Day has not had much time yet to think about his future. “There are lots of options open to a man in my position, and I have no future plans.”

Only two months ago, lengthy negotiations aimed at a rationalisation of pulp and paper industry under the Unicorp umbrella, which would have included Kohler Bros (another Unicorp company) and Stanger Pulp & Paper (owned jointly by Reed Internationa and C G Smith & Co before Reed took it over after the main negotiation) and Reed’s listed SA subsidiary Reed Nampak, broke down.

If Stanger’s new owner is now to seek another solution to the Stanger problem, it would make a lot of sense to snap up a man like Day, well regarded by the industry, and a real twist of fate if Day’s assignment turned out to be trying the right one of his erstwhile competitors.
The aftermath of Stanger

Reed Corp predicts that Stanger Pulp & Paper will break even at the end of the year. CG Smith & Co, its erstwhile partner in the loss-making paper-from-bagasse plant, is prepared to write off R32,8m to get out.

Which of these two highly divergent views on the viability of Stanger is right only time will tell. But CG Smith's R32,8m knock must be some kind of record. Only the banks have absorbed losses in this league and stayed solvent.

The mechanics of the deal are that CG Smith is to hand over its 50% stake in Stanger, including its R11,4m in loans, to Reed, for R1. And it is paying Reed R16m in cash to do so. Stanger was financed by R10m of equity, partners' loans of R22,8m, and outside loans and leases of R40m. The equity was wiped out by a R14,2m loss in its first year.

As a result, CG Smith's net asset value has been knocked a whopping 37% from R397 to R250 per share. And this year's dividend is expected to be R22 compared to R32 last year. Apart from the blow to net assets, CG Smith's once clean balance sheet will now have assumed substantial debt. Hardly a pleasant prospect going into a world sugar recession.

Chief losers in the deal will be the managers, CG Smith & Co. Standard Bank, together with its pension fund holds about a third of the voting equity. CG Smith has 42%; and Crookes 5,4%.

Guardian Liberty.

The deal is still subject to certain conditions — mainly Reserve Bank and Bank of England approval.

Does Reed think it can turn Stanger around?

Chairman Bas Kardol explains that from the outset it was CG Smith that was most anxious to get out of Stanger. He points out that losses are declining. They were R14,2m last year and in the first quarter of this year had declined to R2,2m. Stanger is now running at operating breakeven, before finance charges which came to R4,3m last year. The R16m from CG Smith will bolster the balance sheet and save R2m a year in interest.

The loss this year will be "far less" than R8,8m — the R2,2m first-quarter loss annualised. Financial breakeven, that is including finance charges, "will be reached by the end of this year or by January at the latest," according to Kardol.

Fortunately, the listed Smith companies have diluted their dependence on the unlisted master company in recent years. CG Smith Investments includes the successful Romatex group, while CG Sugar recently expanded its equity base when buying Illovo. Both these companies have exceptionally strong balance sheets, and while the Stanger stinger has an adverse rub-off on the whole group, the listed companies have suffered no cash outflow as a result.

David Carte

Reed's Kardol and Smith's McGough... both losers, or is one a winner?
STANGER: THE CENTRE OF ATTRACTION

Stanger Pulp & Paper, the part of the Reed package that nobody apparently wanted, very nearly changed hands this week. Reed, and particularly C G Smith, are still anxious to divest themselves. A deal, involving Sappi/Union Corporation came desperately close to being consummated on Wednesday.

But now it's off. Reed Corp's Bas Kardol tells me that Reed is now definitely not selling its Stanger shares to Union Corp or anyone else.

Performance of the mill itself is looking up. The R76m plant is now "breaking even," earlier than previous indications that this would be achieved by end-1978. Break-even, in this instance, refers only to operating costs. It does not take financial costs into consideration.

For the six months to end-June, start-up costs and teething problems helped produce an R8m loss. Financing costs must be at least R5m annually, and though it is now operating at break-even, it is not clear whether it has moved into positive cash flow yet. Considering the big depreciation charges, positive cash flow can be achieved before profit break-even is reached.

Although the mill has been termed "a dead albatross" by market competitors, it seems that it is not nearly as dead as some competitors would hope. According to financial director Gordon Partridge, "Stanger is currently working at full capacity on the coated paper side and its total coated paper capacity is fully booked for the next three months with further orders on hand. Having reached this stage, it should not be difficult to maintain full production, so there is certainly light at the end of the tunnel for both Reed and C G Smith."

Despite this more cheery scenario, Reed and C G Smith would probably be quite happy to give away their Stanger shares if their other financial obligations in the form of guarantees went with the free gift.

After all, the subscribed share capital in Stanger is only R10m and that has probably been lost by now. Where the deal probably broke down was not on a price for the shares, but how much the purchaser had to be paid to take them on. Richard Smart
Waiting for the pay-off

Activities: Manufactures pulp, paper, newsprint, cardboard, crepe paper and chemicals and owns 87,000 ha of forests. Owns a 39% beneficial interest in Carlton Paper which it consolidates. Holding company is Union Corporation.

Chairman: E. Paviit; managing director: R. T. G. Day.

Capital structure: 28.6m ordinaries of R1. Market capitalisation: R47.2m.


Share market: Price 165c (1977 78: high, 198c; low, 145c; trading volume last quarter, 273,000 shares). Yields: 27% on earnings; 12.1% on dividend. Cover: 2.2. PE ratio: 3.7.

With the exception of fine papers, the local market for its other products, tissue, newsprint and packaging grades, was "decidedly weak." Viewed against this backdrop Sappi's 7% fall in trading profit must be considered satisfactory especially as this decline was all in the first half. But perhaps the most encouraging aspect of the accounts is that despite the R32m spent on fixed assets during the year, the balance sheet actually improved.

<table>
<thead>
<tr>
<th></th>
<th>74</th>
<th>75</th>
<th>76</th>
<th>77</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>113.7</td>
<td>113.4</td>
<td>126.7</td>
<td>107.1</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>21.1</td>
<td>24.9</td>
<td>22.7</td>
<td></td>
</tr>
<tr>
<td>Gross margin %</td>
<td>18.6</td>
<td>13.0</td>
<td>11.5</td>
<td></td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>42.6</td>
<td>44.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>20</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>298</td>
<td>298</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The expansion of the pulping and bleaching facilities at the Enstra mill, cost R25m, with a further R10m to come this year. Certain of the new facilities were commissioned during 1977 and the rest should be in use during the first half of 1978. The first stage of the Tugela Mill expansion also got under way. Of the total R29m to be spent on this mill, R5m was spent in 1977. The biggest single work of the scheme, the continuous digester, should be commissioned towards the end of 1978. But unless there is a considerable turnaround in demand for kraft paper, Sappi will have substantial surplus capacity.

The fine paper market was buoyant, particularly towards the year end when delivery dates lengthened. Managing director Ron Day explains that the surplus stocks built up in 1974 and 1975 have not been used up throughout the system, and the upturn is now reflecting normal demand.

The 11% increase in turnover was due more to price improvement than volume. Energy and transport cost increases negated the savings achieved in manpower and materials usage. Higher unit costs squeezed gross margins from 13.9% to 11.5%.

Despite the heavy capital expenditure during the year total borrowings are down to R37.4m (R39m). The ratio of current assets to liabilities has dropped from 2.2 to 1.7, but this is mainly due to the expansion programme absorbing last year's substantial cash balances.

The group's tax rate is 30%, (36%), with Sappi's own rate being about 23%, but subsidiary Carloc's rate rose to 40% (23%). However Sappi will continue to benefit from investment allowances in 1978, so will again have a tax cushion. Meanwhile initial wear and tear allowance and plantation expenditure exceeded the depreciation provision which meant a R3.4m (R3.5m) transfer to deferred tax.

If the one-off provision against investments and the contribution from Carloc is ignored, then Sappi's own profits actually advanced 15% — which is good going especially as no interest is being capitalised against the expansion programme.

Return on capital has dropped from 18.3% to 17.4% and will probably drop again next year if production facilities remain underutilised. At 165c the yield is 12.1% reflecting frustration that the heavy capex programme of the last few years has made no impact on profits. The dividend has been pegged at 20c for the last four years and there is little likelihood of it rising off this plateau in the current year.

At Enstra... building up capacity
Chairman’s Statement
Sappi Limited

RESULTS FOR 1977
In 1977, the value of Group sales rose by some 11% to R197 000 000, but this was due more to price improvement than volume, which was little changed in most grades. Newspaper experienced slack demand and there was a static situation in packaging papers. Fine paper sales were good and prices firm, but Carborac was faced with competitive discounting in tissue markets.

Once again, it was only possible to recover through pricing action a percentage of the cost increases imposed on our industry during 1977. Energy and transport cost increases negated the savings achieved by management in manpower and materials usage. As a result, Group pre-tax profit fell from R245 299 000 in 1976 to R22 479 000 in 1977.

The Group tax charge in 1977, including R3 419 000 for deferred taxation, was R7 024 000 against R8 777 000 for 1976. Sappi itself had the benefit of investment allowances on its Sappi expansion programme, part of which was commissioned towards the end of the year. Carborac’s effective tax rate, on the other hand, rose to 39% in contrast to a rate of 23% in 1976.

After taking taxation into account, the Group profit for the year at R156 555 000 was approximately the same as in 1976. Profit for the year attributable to Sappi shareholders, i.e. after deducting the interests of minorities, was R14 013 000 compared with R12 573 000 in 1976. This 11% improvement can be regarded as satisfactory in the light of the economic difficulties of the past year.

The pulp and paper industry
The past year was a poor one for the pulp and paper industry internationally. Stocks, particularly pulp, continued to increase and prices of most pulp and paper products came under considerable pressure. North American producers began to offer more tonnage on the European markets and this seriously affected producers there. Many Scandinavian and European paper companies have reported losses for 1976/77.

The continued weakness of most European economies and the ‘resistant recovery’ in the U.S.A. and Japan are contributing to general uncertainty about the future. Relatively high levels of unemployment suggest that consumption of paper and board will not grow much in 1978, leaving surplus capacity in relation to demand. Producers are, however, cutting back on output and there may be some decline in stocks and a slight firming of prices this year. It is already clear that the improving 1978 position may just bring only modest improvement to the industry.

The South African market
In spite of the presence of ample capacities in the country, Sappi enjoyed a reasonably full order position for fine paper throughout the year. Towards the end of the year, demand on the company’s machines began to exceed their supply capacity and delivery dates lengthened.

This situation was not matched in other areas of the company, however, and market conditions were and remain decidedly weak for tissue, newsprint and packaging grades. In the latter sector there has been a slight strengthening recently.

During 1977 an increasing but still not significant proportion of output went into export markets and we expect this trend to continue in 1978. In current conditions, prices on overseas sales do little more than cover direct manufacturing costs.

The frequent large increases in administered prices for energy
and transport are particularly onerous in view of the fact that some 20% of the Group's expenditure goes on these items.

Management is facing the challenge to maximize productivity in order to increase margins to more acceptable levels.

TIMBER INDUSTRY

The South African timber industry remains depressed and supplies of timber as logs remain plentiful. Sappi has not been able to take up all its contracted commitments for pulpwood due to the poor state of many of its markets. The company's buyers try to maintain an equitable distribution of orders among our various suppliers and have reduced the off-take from our own plantations at the cost of thinning some stands to waste. In the circumstances, increased prices cannot be justified for pulpwood.

We understand the difficulties facing the timber industry, but in a free enterprise economy we cannot accept that the solution to the present difficulties will be achieved through government involvement as is proposed in draft legislation now before a parliamentary Select Committee.

The two Transkeian companies in which we have a 30% interest again made losses on their sawmilling operations in 1977. The outlook for their return to profitability in the short term is not good. We, therefore, accepted the need to create a provision against a possible irrecoverable loss. It is our hope, however, that these important providers of work in Transkei can be made viable in the medium term.

EXPANSION PROGRAMMES

Work on the Enstra R35,0 million pulp and bleaching scheme is approaching completion and certain plant came into use towards the end of 1977.

A start has been made on the Tugela development programme and nearly R30,0 million has been voted for this work. It is planned to commission the 700 tons per day nominal capacity digester towards the end of 1978 but the late arrival of some basic material may cause a delay.

There was no change during the year to the financial arrangements made by the Group for the completion of the current expansions and other work of a capital nature.

NEGOTIATION WITH REED INTERNATIONAL AND C.G. SMITH AND COMPANY

During 1977, C.G. Smith and Reed International approached us with a proposal that Sappi should take over their respective interests in Stanger Pulp and Paper (Pty) Limited and the interest of the latter in Reed Nampak Limited.

After long complex negotiations in which all aspects of the companies to be acquired were thoroughly examined, in the final analysis, it was not possible to structure terms acceptable to all the parties concerned. The negotiations have therefore been terminated.

OUTLOOK

While 1978 may see some revival in the South African economy, there seems little reason to suppose that anything other than a very modest growth rate will eventuate. The Group's management will continue to give the lead to its staff and employees in programmes to achieve both job satisfaction for all and an efficient operation.

I wish to thank Mr. M.E. O'Hara, who resigned as a director after 22 years on the Board on reaching our mandatory retirement age in April last. He served the Company as Commercial Director, later as Managing Director, and continued to give us the benefit of his experience after vacating the latter post in 1972.

In conclusion, on behalf of my fellow directors, I would like our customers and suppliers to know how much we value the business they place with us and the attention they give to our needs.

E. PAVITT 17th March 1978
After seven weeks of negotiation it was obviously disappointing to all parties concerned that Sappi and Reed could not agree on terms. For the record it should be noted that Reed approached Sappi, offering Reedpak and Stanger as one indivisible package. Sappi never actually came back with a firm offer, finding it impossible to structure a deal to match Reed’s terms.

The shares of all three listed companies involved, Reedpak, Sappi and Kohler, lost ground when relisted though in the main this was probably an adjustment in line with the general pullback in the market over the period of the suspension.

By failing to come to terms with Sappi, Reed has severely limited its options and in the process frustrated C G Smith, the passive partner in Stanger. Reed’s next move depends on the acuteness of the liquidity problem in the parent. At present, Reed’s Bus Kardol maintains that there are no plans to interest any other party in the SA assets. But then there is no reason to. The fact that Reed is a seller has been pretty well advertised by now.

The generally held belief that Stanger’s immediate problems are daunting, if not insurmountable, is not shared by Kardol. He maintains the market position and technical performance of Stanger is improving rapidly and that it could even reach profitability by the end of the year.

But even if this is an optimistic assessment, Stanger could soon cease being a cash drain. Taking into account the heavy depreciation charges, Stanger will reach positive cash flow well before profit breakeven. If this is achieved, it won’t be such a sweat sitting it out.

But the partners’ basic intentions remain unaltered. They want out. And by eliminating Sappi, there aren’t many other takers for a highly geared loss-making paper mill which is having difficulty establishing markets for its products. The only alternative that readily comes to mind is Anglo but some pretty definite opinions on Stanger’s problems are held in that quarter.

Meanwhile C G Smith is actively pursuing its remaining options. If none work out, it will just have to continue following its investment and ponder on the risks of undertaking major capital projects.

Landau, Kardol... no deal after the paper chase.
In the next 15 years...

1. Mom
2. Nan
3. Oude
4. Cos.
5. Ras
6(a) Sk
(b) Sk
7. Soor
Aan perma
8. Hoe
Aan toeva
9(a) Per
(b) Jaa
(c) Jaa
(d) Bod
(c) Moc
10. Aan
(a) Wou
Maa
Sat
Son-
(b) Jaarlikse verlof deur boer betaal

Uitskei Pousie(s)

11. Kontantlees (weeklikse)
12. Ander betaling (weeklikse)
(a) Vleis: hoeveelheid

Prys (as nie gratis verskaf word nie)
waar in aan boer
waarde aan werker
Carlton Paper Corp — the holding company for manufacturers of disposable paper products — was hit by escalating costs which hacked its profit margins, despite a four percent rise in turnover, in the year to December.

Taxed income for the year was 41 percent lower at R2,6m (R4,5m) which chops the eps from 26,6c to 10,8c. Another reason for the sharp profit drop was a 40 percent tax rate compared with the previous 23 percent.

The final dividend however has been maintained at 7c.
drop, exports up

SA new sprintin sales


KONDEMRAN

BY TONY MONDI

paper, etc.

declining local de

decision. Local de

decision. Local de

decision. Local de

decision. Local de

decision. Local de
PAPER
Troubled Industry

As Stanger Pulp & Paper, the joint C G Smith/Reed paper-making venture on Natal’s north coast (see Fox), comes up for its first anniversary of manufacture it does so in an industry beset by problems of falling demand and rising prices.

Nowhere is that better illustrated than in the newsprint sector. Two years ago consumption was running at around 184,000 t a year. Then, as now, the bulk of that demand was being met by Sappi (controlled by Union Corporation) and Mondi (by Anglo) with the latter getting the thick end of a 60/40 market split. Yet, projections for this year forecast consumption of less than 125,000 t a year.

Much the same over-supply situation is true in the tissue sector. Demand for packaging materials, too, is hardly at an all-time high.

More specifically, Stanger's intrusion into the marketplace created even more waves. Its raison d'être was, and still is, to make coated papers from otherwise waste sugar cane fibre (bagasse) as opposed to the rest of the industry which uses woodpulp and waste paper.

Stanger’s capacity for coated and uncoated papers is 34,000 t a year with an additional capacity for producing 17,000 t a year of tissue. Technically, Stanger’s bagasse-sourced coated papers compare favourably with wood pulp counterparts. Problem is price — particularly when compared to imported Finnish papers.

So, either Stanger continues to get hefty import or tariff protection or it diverts production effort into uncoated paper and tissue production. Such a move would obviously pose grave problems for the other majors in those sectors (see table).

---

PAPER PULP
(around 1Mt pa)

<table>
<thead>
<tr>
<th>Type</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>NEWSPRINT</td>
<td>176,000 t</td>
</tr>
<tr>
<td>MAGAZINES</td>
<td>58,000 t</td>
</tr>
<tr>
<td>LINER and</td>
<td>192,000 t</td>
</tr>
<tr>
<td>FLUTING</td>
<td>100,000 t</td>
</tr>
<tr>
<td>OTHER CRAFT</td>
<td>100,000 t</td>
</tr>
<tr>
<td>PRINTING and</td>
<td>123,000 t</td>
</tr>
<tr>
<td>PAPER BOARD</td>
<td>161,000 t</td>
</tr>
<tr>
<td>FIBRE BOARD</td>
<td>7,000 t</td>
</tr>
<tr>
<td>OTHER PAPER</td>
<td>41,000 t</td>
</tr>
</tbody>
</table>

Source: *Natal Mail* 21/7/80

---

January 3 1978

---

313
Cash is the key

The rationale behind the contemplated sale of Reepak and Stanger Pulp by Reed International and C G Smith can be found in Reed’s balance sheet. And it’s not based on political considerations. Sappi (and perhaps Kohler), supported by parent Union Corporation, is the prospective buyer.

As Reed chairman Alex Jarratt told the FM: “The sale is purely for commercial reasons connected with the parent company’s finances and not for political reasons.”

Reed is highly illiquid and is being forced to deplete the excesses of the Ryder era. Last balance sheet it had total borrowings of £485m against shareholders’ funds of £412m — a debt-equity ratio of 118%. Of the borrowings, £213m were repayable within five years, against cash and short-term deposits of £50m and net cash flow of £45m. The leasing and interest bill was covered only 2.3 times by pre-lease gross profits.

The most recent results, released this week, for the nine months ended December 31 in the UK and to September 30 outside the UK, show operating and pre-tax profits up 7% but taxed attributable profits down 17%. So Reed can certainly use the cash.

All parties to the negotiations currently under way in Johannesburg are tight-lipped and it’s impossible to even start speculating about a price for the package. Nevertheless, Reed looks set to incur a large capital loss on the deal.

Stanger’s the major problem. It has cost R78m and in its first six months of operation lost R8m. Its very viability seems a matter of opinion. Reed’s local chairman Baskardol is confident it can only eight months SA earnings and on a 52% holding. The holding is now 62%, boosted by Oscar Fruman’s holding which Reed was committed to buy at 545c a share.

Reed’s 62% stake in Nampak cost R58,4m or an average of 392c per share, compared to the pre-suspension price of 310c and net asset value of 298c. The price paid is equivalent to about six times current earnings, which seems a lot to expect from Unicorp. One thing is sure: Reepak minorities will never see Oscar’s 545c.

Reed came into Nampak via securities rand and will presumably exit that way as well. It will have picked up Nampak at about a 30% discount. If its exit is sudden, the securities rand rate is likely to fall — reducing Reed’s net realisation.

This makes an all-cash deal unlikely. Reed will probably extract itself slowly from SA selling off Unicorp, Sappi or any other SA paper that it might accept for the deal. After all, the bulk of its borrowings are not immediately due.

Reed could negotiate the remittability of part of the proceeds in free rand — if it can persuade the Reserve Bank that the acquisition is in the national interest. Such free rand proceeds might also slow in getting out. They would be released bit by bit, in line with SA’s foreign reserve position.

The takeover will create a near monopoly in the SA pulp, paper and packaging industry (see Business p 313) but neither Anglo nor Barlows, the remaining contenders in the game, are likely to complain. Giants seldom complain about other giants.

Reed has another R20m of net assets in SA quite apart from Reepak and Stanger, according to Kardol. This represents Spicers, Palladium Stationers, Tenion Envelope, Papelcor, Twyfords, Allied Brass and Reed Irrigation.

Jarratt says these are not for sale, though this is hardly likely to deter local acquirers.

Union Corp’s Basil Landau... a paper tiger by the tail

be turned around but other sources in the industry have grave doubts.

Worldwide, they say, bagasse pulp has yet to prove itself a viable feedstock. While eminently suitable for tissue making, there are problems with its use in fine paper. Furthermore, Stanger’s 35 000 t annual capacity seems modest in relation to capital cost.

Stanger has been financed by guaranteed loan capital totalling R54m, a R14m plant leaseback and share capital of R10m. Reed and C G Smith will be lucky to get away with a transfer of assets and liabilities. Whether the share capital will be salvaged is extremely doubtful. C G Smith’s Tony Nortin won’t be drawn on the subject but there is little doubt C G Smith wants out.

There’s only one prospective buyer, and that’s Union Corp. Neither Anglo, nor Barlows, the obvious alternatives, are interested, except at a very low price.

Reed looks to be in a rather weak bargaining position but is by no means a forced seller, so will not be giving the package away. Especially with the successful Reepak in as the sweetener. Reepak contributed £3m or 16% of Reed International’s taxed attributable earnings last year. And that included

Reed’s Alex Jarratt... the past is catching up
Paper talks hold benefits for everyone

Financial Editor

There is little doubt that there will be advantages all round should the Union Corporation negotiations for Reed Nampak and Stanger Pulp and Paper succeed.

Although, on current information, the immediate advantage will lie more to the way of the sellers, Reed and C G Smith, than Unicorp.

Both Reed and C G Smith will be relieved to find a buyer for the giant loss maker, Stanger. It has been touted about town for some months without success to date and has absorbed around R60-m in capital.

Although there are suggestions that Stanger is about to see brighter days, it has been a severe drain on the resources of the cash-strained Reed group and C G Smith, with the sugar price languishing at 75 cents at low levels, could well be glad to be rid of its 60% stake in Stanger.

But how to sugar the pill for it's improbable that Unicorp would have itself set its cap at Stanger? The scenario may have read: If you take Stanger we'll throw in Reelpak.

Such bait could well have interested Unicorp for Reelpak is a nice company. Last year its turnover topped the R50-m mark and the group earned a comfortable R15,7-m before tax.

Reed's may have been prepared to throw in Reelpak to ease its cash flow problems. The group has after all been offloading certain of its interests recently in an attempt to generate cash and it is doubtful still recovering from the R45-m it had to pay for the acquisition of Reelpak.

What is surprising some observers is why Reed wants out of Reelpak so soon after acquisition.

The acquisition of Reelpak would make sense for Unicorp. Not only will the group help generate cash, it will give Unicorp a stronger position in the paper market. However it is unlikely that Sappi would take on Reelpak, a major Sappi customer. It would make more sense for Unicorp itself to take on Reelpak or for the group to slot Reelpak into the Kohler Brothers operation.

As far as Sappi is concerned, the absorption of Stanger would make sense in the long term for perhaps Sappi's experience in the pulp field can set the Natal North Coast plant to rights. Working behind the deal is Unicorp director Basil Landau and more than likely, Kohler's managing director Tony Crosby, an ex-Reelpak man.
TOILET PAPER
CONTROL
Mercury Reporter

TOILET paper is falling to standardisation. From March 15 the rolls will be 500 sheets of single-ply or 350 sheets of two-ply.

The price is likely to rise, but a spokesman for the R25-million-a-year industry said that every producer had undertaken to increase the price only in proportion to the extra sheet count.

Sheet sizes are also standard. They will be 110mm by 100mm.

The new move was started by the producers who went to the Bureau of Standards. They were referred to the Department of Weights and Measures. From February 1 the three primary paper manufacturers and other concerns will have to obey the new rules.
Ah-tissue!

Activities: Produces and distributes packaging papers. Tissue papers are made by wholly owned subsidiary, Southern Paper Industries at Bellville, Cape. Holds 51.8% interest in Rhopulp. Ultimate holding company is AFC.

Chairman: J Mackenzie; managing director: JW Mackenzie.

Capital structure: 1.27m ordinaries of R1. 100 000 5.5% cum prefs of R2. Market capitalisation: R1.6m.


Though there were no doubt good medium-term reasons for establishment of a tissue converting operation, the short-term effects on turnover and earnings have been pretty rough. Major cus-
ners, now competitors, have cancelled orders placed with Southern Paper Industries, and this caused a serious decline in turnover and profitability for the full year. Coupled with the reduced output of Rhopulp, total turnover fell 2%.

\[
\begin{array}{cccc}
74 & 75 & 76 & 77 \\
\text{Turn on cap (Rm)} & 15.9 & 14.9 & 9.7 & 6.5 \\
\text{Turnover (Rm)} & 14.0 & 18.5 & 19.4 & 18.0 \\
\text{Profit (Rm)} & 2.9 & 3.3 & 2.8 & 2.6 \\
\text{Net margin (Rm)} & 16.3 & 14.5 & 10.2 & 8.7 \\
\text{Sales (Rm)} & 74.1 & 94.2 & 51.4 & 53.0 \\
\text{Debits (Rm)} & 24 & 28 & 28 & 18 \\
\text{Net asset value (Rm)} & 499 & 562 & 602 & 853 \\
\end{array}
\]

Rhopulp's pre-tax profit fell to R355 400 (Rhs389 000) and to preserve liquidity its final dividend was cut off. With stagnant demand in Rhodesia there seems little prospect of an early resumption.

Consideration was given to deconsolidating Rhopulp, but the idea has been shelved for the time being. Rhopulp's cap issue (one of many in Rhodesia) absorbed Rhs4m of reserves as plant and machinery were brought to account at depreciated replacement cost. The effect has been to increase book value of assets and presumably has been done in part as a pre-emptive move in case possible nationalisation in Rhodesia is compensated on book values.

The Klipriver mill performed satisfactorily despite a small drop in tonnage sold. But a new fluting developed promises to give better market penetration and increased profit this year.

Any major improvement in group profits depends largely on how well the tissue market can be penetrated. Competitors are not going to sit by while a newcomer carves out a large chunk of the market for itself. Price competition is going to remain intense for some years and certainly while overcapacity remains.

The squeeze on profits from falling margins is compounded by the fast-rising interest bill. It increased to R1.04m from R761 000. There is a need to reduce borrowings, especially at the short end, but the time is inappropriate for raising equity capital. A medium-term loan of up to R0.8m has been arranged with AFC and bank facilities are available.

There should be no liquidity problems in the near-term but this means that the best to be expected is maintenance of the lower dividend. Distributions are now to be made only once a year and a further dividend cut looks probable. Cover has dropped to 1.6 times and the historic 14.4% yield is not attractive. The shares are only for investors prepared to take a view into the early Eighties. For these, better buying opportunities are possible this year.

Jim Jones
The paper industry is facing a financial crisis due to the recent economic downturn. The demand for paper has decreased, leading to a surplus of paper stocks. This has resulted in lower prices and increased competition among paper manufacturers. The industry is also facing challenges from emerging technologies, such as digital printing, which is becoming more popular and is posing a threat to traditional paper products.

The paper industry is a significant contributor to the economy, providing employment and supporting related industries. However, the current situation has forced many companies to cut costs and reduce production. This has led to job losses and uncertainty for workers in the industry.

In response to these challenges, organizations are exploring new markets and diversifying their product lines. Some companies are focusing on sustainable and eco-friendly products, while others are investing in research and development to innovate and stay competitive.

The future of the paper industry remains uncertain, but there are signs of hope. The industry is adapting to the changing landscape, and there is potential for growth in niche markets. However, it will require sustained efforts to overcome the current challenges and position the industry for long-term success.
PREMIER PAPER MILLS LIMITED

Preliminary Profit Announcement

The unaudited group financial statements for the year ended 30 June, 1977 reflect the following figures:

Year ended Year ended

R R

GROUP PROFIT BEFORE TAXATION 673 500 1 217 000
Less: TAXATION 20 700 418 400
Current 711 000 766 600
Deferred 327 900
GROUP PROFIT AFTER TAXATION 647 600 739 400
Less: Preference shareholders' interest 22 800 150 600
Profit attributable to preference 624 800 588 800

Post tax earnings per ordinary share (cents) 28.5 50.9
Dividend per ordinary share (cents) 18.0 28.0
Dividend cover (times) 1.6 1.8

PROFITS

Contrary to the optimism expressed in the interim report there was a further drop in profits during the second half of the year. This was due to the continued deterioration in business conditions in that period. The profit improvement expected from increased production materialized because of severe strikes in demand resulting from the prevailing political uncertainty in Rhodesia. The results of Southern Products were affected by a more highly competitive situation than anticipated, aggravated by unforeseen cost increases, particularly in raw material costs. The results of the Kruger and SPI mills were according to forecast. A review of the past year's operations and of future prospects will be given in the annual financial statements which will be posted to shareholders early in October.

DEFERRED TAXATION

In view of the capital intensive nature of the paper industry it is the Board's opinion that taxation in excess of the current rate from time to time will not be paid in the foreseeable future. Consequently no further provision has been made for deferred taxation and the provisions previously made have been written back to distributable reserves. As a result the figures for the year ended 30 June, 1976, are not strictly comparable as deferred tax amounting to R129 800 was provided in that year.

DIVIDEND

Arising from the drop in profitability and the investment made in Southern Products, necessitating conservation of cash resources, the Board has decided to reduce the final dividend to 6 cents per share (1976: 16 cents making a total distribution for the year of 16 cents per share (1976 - 26 cents)

DECLARATION OF ORDINARY DIVIDEND NO. 56

NOTICE IS HEREBY GIVEN that ordinary dividend No. 56, being a final dividend of 6c (six cents) per share, in respect of the year ended 30 June, 1977, has been declared payable to ordinary members registered in the books of the company at the close of business on 16 September, 1977.

The dividend is declared in the currency of the Republic of South Africa and becomes due on 23 September, 1977.

Warrants in payment of the above dividend will be re-matched to members on or about 7 October, 1977.

The transfer books and register of ordinary members will be closed from 17 September to 23 September, 1977, both days inclusive.

In accordance with the provisions of the Income Tax Act, 1962, as amended, a non-resident shareholders' tax will be deducted at the applicable rate from dividends payable to members whose registered addresses are outside the Republic.

By order of the Board
AFRICAN TRUST CORPORATION LIMITED
Secretaries
per I. R. Kemp
Transfer Office:
AFRICAN TRUST CORPORATION LIMITED
71 Fox Street,
Johannesburg.

September, 1977.
THE FIRST production run of a special security paper, totally developed and made in South Africa by Sappi Fine Papers, will be used, appropriately enough, for the printing of another South African first — the new SA Defence Bonds.
Premier Paper profits halved

By HAMISH FRASER

PREMIER Paper Mills has slashed its dividend for the year to June 30 from 26c to 16c. Pre-tax profits halved from R1 217 000 to R623 500 and only a change of policy in the treatment of deferred tax prevented a total rout at the attributable level.

Tax of R20 700, compared with last year's R48 000 (including R38 000 in deferred tax), left shareholders with R1 275 000 (R64 000) after a proportionately higher appropriation for the Rhodesian Pulp minority of R227 800 (R150 000).

The shares earned 29.5c compared with last year's 50.9c.

Full details of the year's disappointments and the prospects for this year will have to await the annual report, scheduled for release in October.

In the light of the optimistic predictions in last year's annual report and in the interim statement that the dividend would be maintained at 26c, the directors have much to explain.

At this stage, the reasons given for the absence of the expected improvement in the second half are superficial.

Business conditions deteriorated further, Rhopulp did not deliver the expected second half improvement because of the political uncertainty in Rhodesia and the new tissue division ran into greater competition than expected.

My reading of Prem Paper's performance is that it was the last factor - the tissue division of Southern Products - that hurt the most.

In the first place, and against the background of a finite market for tissue products, Prem Paper's entry coincided with the expansion of its competitors' production capacity.

In the second place, the competition made Prem Paper's debut as uncomfortable as possible by slashing prices and in the third place, railage rates rose by about half at launch time.

Prem Paper is believed to be budgeting for a profit from Southern Products this year, although the turn will probably only come towards the year-end.

It also seems logical for Prem Paper to deconsolidate Rhopulp this year and take dividends only when received. Rhopulp has substantial distributable reserves and it would not be surprising to find an issue of bonus shares in the pipeline along with deconsolidation.

On the home front, Prem Paper has to find a place in a market which is becoming increasingly dominated by the big millers in the Anglo American and Union Corporation stable. It believes that by being smaller it can be more flexible and that therein lies its strength.

But until Prem Paper can be shown to have turned its tissue operation around, the shares, which yield just 12.7% on the reduced dividend, have little attraction.

It should be possible for the dividend to be maintained at 16c but the frailty of the cover suggests that no increase in the dividend should be expected this year.

The dividend is back to its 1973 level after a steady five-year rise.

---

<table>
<thead>
<tr>
<th>Number</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>309 775</td>
<td>50.8</td>
</tr>
<tr>
<td>278 373</td>
<td>45.4</td>
</tr>
<tr>
<td>229 154</td>
<td>34.0</td>
</tr>
<tr>
<td>221 788</td>
<td>27.7</td>
</tr>
<tr>
<td>214 021</td>
<td>23.0</td>
</tr>
</tbody>
</table>


As an
R7m leverage lease for paper tissue plant

THE largest leverage lease written so far in this country, a R7.166-million six-year contract with Stanger Pulp and Paper, was concluded in April by Nedfin Bank’s leasing arm.

This is only the sixth time that a large leverage lease — which usually offers returns of between 20 and 30 per cent to those participating in the equity consortium — has been written in this country.

It is the second one written by Nedfin Lease Underwriting (in which US Leasing has a 20 per cent stake) with Stanger Pulp. The first was for R761 000 to finance the acquisition of process control equipment.

Other large leverage leases were R6-million for a large industrial company and a similar amount for Iscor, both arranged by NLU, and R5.4-million for Pietermaritzburg, arranged by UDC Bank/GATX and Magnum Leasing.

In theory, a leverage lease is one in which about 70 per cent of the cost of capital equipment is provided by institutional investors (at about 13 - 14 per cent a year) for a lessor or equity consortium, which itself provides the remaining balance.

The equity consortium, which purchases the equipment to be leased, is able to benefit as the owner from investment allowances which are tax deductible. Hence it is able to lease the equipment on very favourable terms.

In the case of the latest Stanger Pulp lease, the com...
Smith's chairman's statement: "Whilst your board has every confidence in the project in the long term, there is no doubt that in the current year considerable losses will have to be brought into account. The financial requirements of the project also seem likely to inhibit our dividend capability in the short term. Cost escalations in civil works, increases in shipping costs and in exchange rates have caused the capital cost of this project to exceed the original estimates by a substantial amount."

C G Sugar has also reduced its estimated sugar production by 11,000 t to 585,000 t (still 64,000 t up on last season). "Milling and processing performances for the season to date show marked improvement at all four of our mills. With the exception of Pongola, surroce levels are well up on last year which, coupled with good processing results, are giving considerably higher recoveries."

Jones noted that no increase in dividends from C G Smith and Co had been budgeted for in the current financial year. Nevertheless he repeated the prediction that C G Sugar's dividend could be maintained thanks to the company's liquidity.

Michael Brown

Secretary

Contortus are also present, though with very

The continuous presence of stock results in the aerial portions of grasses

being very short and gives the photo image a very smooth texture. The hue

takes on a greyish appearance as the bare earth shows through.

A similar community type, though probably with different origins, was

detected in plots 150. The soil form being Clowly and its position on the

landscape suggests that it belongs to the Eragrostis chliromelas - Elionurus

argenteus - Heteropogon contortus community; however, it lacks two of the
dominants and all the accompanying species and has in their place Eragrostis

lehmanniana.
Within the next few weeks the Stanger Pulp & Paper Mill on Natal’s north coast will have to decide how best to protect its R65m investment. Having made, by world standards, a technological breakthrough and manufactured coated papers and tissues from sugar cane waste (bagasse) it’s having problems in marketing its product.

Sounds strange, but while the market accepts that the Stanger product is technically every bit as good as its wood pulp counterpart, it, not unnaturally, prefers to go for cheaper imported papers. No one mentions the word “dumping” but the industry’s trade press has long pointed out that overseas mills, principally those in Finland, are selling close to cost. As a result, imported Finnish papers enjoy something like a 20% price advantage.

In short, the C G Smith/Reed Group enterprise either has to get tariff protection or switch to the production of uncoated papers, where it would have a price advantage but where, unfortunately, the market is oversupplied. To do this would risk sparking off a price war with SA’s two other paper producing giants, Anglo’s Mondi and General Mining’s Seppi. And that would hardly suit anybody.

Stanger is SA’s only producer of coated papers. Its total paper capacity is around 35 000 tpa — either coated papers, uncoated papers or a mixture of both. In addition, it can produce up to 17 000 tpa of tissue.

Currently, the coated paper market is running at around 42 000 tpa with Stanger accepting that it can only look at, perhaps, 34 000 t of that — the rest either being of types it can’t make or where specialised demand doesn’t justify production.

Stanger’s coated papers could save the country upwards of R18m in foreign exchange. That is, calculated on an import replacement of some 34 000 tpa at a rounded average of R535/t. Further, it could supply upwards of 20 000 tpa of bleached short fibre pulp, saving the country a further estimated R35m in foreign exchange.

On the other hand, imported wood pulp costs about R350/t while Stanger’s bagasse equivalent would, potentially, go for about 20%-25% cheaper than that.

Even so, the comparative figures are intriguing. A 1 000 t of raw sugar cane produces, in round figures, 100 t of sugar worth, say, R185/t. That same amount of field cane would produce around 40 t (plus whatever goodies such as wood pulp and so on need to be added to the mix) worth an estimated R600/t.

No one’s suggesting making paper and, as it were, throwing the sugar away but the financial bonus is that same bagasse would otherwise be burnt in the boilers of the Gledhow Sugar Mill just across the road from the Stanger site.

Stanger’s marketing problem is far from unique. Embryo industries have usually enjoyed some form of protection from government. Big question now is whether it wants to protect SA’s only producer of coated papers and to promote the development of unique skills.

Pretoria’s dilemma is that to do so could provoke a consumer outcry — and some loud squeals from foreign suppliers.

One intriguing thought is why didn’t Stanger sort all this out before spending R65m?
SA's paper industry is beginning to find its feet. But self-sufficiency has its price

**Financial Mail 25/2/77**

SA's great export paper chase has begun, with Mondi securing export orders worth R25m.

This week Mondi MD Reg Donner left for overseas to tie up details of 80 000 t of exports. Overseas prices vary but on the whole are higher than the local price of around R306/t. Donner thinks that Mondi has a good chance of maintaining lucrative foreign markets — though paper's not exactly in short supply overseas.

Mondi has, says Donner, an 80 000 t surplus of newsprint.

Another important development in the paper industry is this week's appointment of Chris Griffiths to the chairmanship of Mondi, part of Anglo's industrial empire.

He is on record as saying that all he needs to wrap up Anglo's paper interests is R250m. This apparently is to build a bleached chemical pulp mill (its present mill outside Durban is a dry pulp mill).

But while Mondi's future plans have still not been spelt out, things at Sappi are a little clearer.

A new major expansion scheme, costing about R80m, is on the cards at Tugela Mill at Mandini in Zululand. It's additional to the development currently being undertaken at Sappi’s Enstra Mill at Springs, where bleached pulp output for fine papers, newsprint and tissue making is being doubled.

The extension project says Marketing Director Bob Garden, will take between eight and 10 years to complete. Tugela is already the largest pulp and paper mill in Africa. In a decade's time it would be a world competitor.

Apart from Tugela (currently producing 250 000 t/year of locally consumed kraft paper) the company also has:
- Ngodwana — a pulp mill producing approximately 90 000 t/year;
- Enstra — 70 000 t/year of newsprint, with a capacity of 55 000 t/year of fine papers and
- Adames Mill, near Port Elizabeth — 150 000 t/year of fine paper, 10 000 t/year of imitation kraft and 5 000 t/year of fibre board.

Garden confirms that the Enstra Mill is not working flat out — in fact it's down to 48 000 t/year.

Against the background of capital injections (Sappi) and the hunt for more capital (Mondi) there's the intrusion of Stanger Pulp & Paper, a joint venture between Natal's C G Smith and the UK's massive Reed Group (effective owners of Britain's left-wing daily newspaper, The Daily Mirror).

Already there's a R64m capital and working investment in the project.

Aim is to make quality coated paper from bagasse supplied from the nearby Gledhow Sugar Mill. What was once a "waste" product of the sugar industry is now a vital ingredient for the Stanger Mill. The project comprises two parts: first, a pulp mill (42 000 t/pa capacity) and a fine coated paper mill with a capacity of 35 000 t/pa. In addition, a tissue mill is now ticking over (annual capacity in the region of 17 000 t/pa).

But Stanger seems to have been plagued by problems since the joint

**Anglo's Chris Griffiths...reaching for R250m**

Smith and Reeds venture was first thought of in 1973.

Late last year a boiler and coal handling plant was installed (at a cost of around R2m) but there's been constant trouble with the boiler. Says Stanger
Sappi profits
R6.8m for six months

Johannesburg—In spite of a reported weakening demand for Sappi's products in the early part of this year, their after-tax profits for the half year ended June 30 rose to R6 881 000 compared with R6 496 000 for the same period last year, according to an interim report published yesterday.

Earnings per share rose from 23.3c for the first half of last year to 25.2c.

The directors reported that the strong demand for the company's products experienced in 1974 dropped off and by the second quarter of this year, the sale of fine papers were sharply down, with kraft and newsprint also declining.

The directors attributed the improvement in profits to the recovery in the prices of paper and, in particular, newsprint.

As regards future prospects, the fine paper market had improved but was still below last year's level. While the Newspaper Press Union had indicated that there would be a 33 per cent cut in newsprint requirements for its members for the second half of the year.

The directors reported that in spite of company savings, it was not expected that the second half earnings would match those reported.
Govt may have to act in packaging feud

by Francis Eason

In a situation said to be peculiar to the case, the government may find itself in a bind. According to reports, the ministry in question was caught off guard by the sudden development, and is now scrambling to find a solution. The issue at hand is the packaging of government-issued goods, which has been a source of contention for some time. As the government tries to navigate the waters, it is unclear what steps will be taken to resolve the situation.
By G. R. NAIDOO

PAPER mills in Natal and Zululand are cutting production and retrenching workers because of a world-wide recession in the pulp and paper industry.

This cut-back will also affect timber growers and collectors of waste paper. Some smaller waste paper collectors may even go bankrupt.

Last year the paper and pulp industry enjoyed buoyant conditions. These were marked by a substantial increase in the price of newsprint and a subsequent building up of stock. The industry is now suffering because of a shortage of orders.

Mr Ted Orzechowski, chairman of the Association of Pulp, Paper and Board Manufacturers of South Africa, yesterday confirmed that there was a cut-back in Natal's paper production.

"Some workers have been retrenched, but there is no panic," he said. "Ours is a cyclical industry, and like all other industries we have our ups and downs. We are now in a down period, but we are sure of a brighter future by the end of this year."

"The economy generally has slowed down in the past two months. A few months ago we expected an upturn by the end of this month, but this has not materialised. There will be no major improvement until the end of this year."
TIMBER MEN LOOK FOR BIGGER CHOP

By Desmond Healey

TIMBER growers in Natal are 'out to cut through the woods to a better price for the logs supplied to the paper making industry.

Negotiations are due to open within the next few days between the Natal Timber Growers' Association and South African Pulp and Paper Industries aimed at setting a new price for logs and grow-

PAPER INDUSTRY TO REVIEW PRICES
ers hope to obtain the increase before the end of June.

The last price increase was granted in January when Sappi lifted it to R13.50 a tonne of timber delivered to its paper mill at Mandini, Zululand. At that time it undertook to again review the price in June, because of sharply rising costs in the forestry industry.

Mondi Paper Company, of Merewether, Durban, pays virtually the same price for its timber, but growers in the Natal Midlands — the principal area of supply — obtain a higher return because railage charges from the Midlands to Merewether are lower than those from the Midlands to Mandini.

In seeking a new price, the Timber Growers' Association points out that the majority of Midlands growers are being squeezed by rising labour costs and that the return on investment has shrunk from around 8 percent three years ago to about three to 5 percent today, while the rate of inflation has gone up from 6 percent to close on 13 percent.

Owned

Most of the timber which Sappi uses for the manufacture of newsprint — the paper you are holding now — originates from forests which it owns or from very large syndicates.

Timber supplied by the smaller private growers goes into the manufacture of chemical wood pulp.

Virtually all timber supplied to Mondi Paper Company, which owns only a negligible area of forests at present, goes into newsprint production and though the specification for logs — length, cleanliness, water content and the like — is more stringent the return to the grower is higher.
HUNDREDS IN TEXTILES AND PAPER LOSE JOBS

HUNDREDS of workers in the textile and paper industries have lost their jobs, with the Western Cape being the hardest hit. Textile workers of the Hulett's Corporation announced yesterday that it would close its R3-million Huiselkane board factory at Amatikulu and this threatens the jobs of 100 men of all races. However, the group will try to place them in other jobs.

On Thursday, 260 workers at the Masonite plant at Eastcourt were laid off, and their little chance of finding alternative employment.

A further 300 workers at Mool River's textile plant have been laid off and the remaining 935 workers have been put on short time until the market for textiles improves.

In the Cape, 290 workers — 15 percent of the workforce of Pan Knitwear — were retrenched last week because the large amounts of knitted goods imported into the country had severely affected sales by the company.

The company is part of the South African Nylon Spinners group.

Dr. B. J. Howe, technical and personnel director of the group, said there had been various redundancies within the group since last September. These had been caused mainly by the large imports of cheap polyester fabrics which were undercutting local products.

At Worcester, Hex River Textiles last week paid off 100 workers when they reduced their operations.
MANUFACTURING - PAPER + PRODUCTS

24. 1. 79

22. 12. 79

X
Prem Paper expects 94c a share from SA

By HAMISH FRASER

Premier Paper Mills, whose direct investment in Rhodesia has been cut to a 19% stake in the enlarged Huyani Pulp & Paper, says it will earn 94c a share from its South African operations alone in the year to June 30.

No exact split between South African and Rhodesian earnings will be possible until Huyani announces its interim results in about three weeks' time.

But it is possible, working backwards from the minority interests shown in Premier's interim figures, to estimate the South African earnings in the six months to December 31 at 97c a share out of full earnings for that period of 98c a share.

Premier's 94c a share projection for the full year is not directly comparable with last year's 86c a share because the comparative figure consolidated Huyani.

Premier will in future bring to account dividends from Huyani when they are received.

Premier's report for the first half, in which Huyani is still consolidated, shows earnings of 96c a share compared with a loss of 2c a share in the corresponding period of last year.

Premier's directors say in the interim report that "the results of the South African group for the second six months of the current financial year will equal or exceed those for the first half year". This puts full-year earnings from South Africa at a minimum of 94c a share based on the current issued share capital.

As for dividends from Huyani, Premier says "there will be no immediate material change". In the past full year, Premier's dividend receipts from Huyani, net of tax, came to R148 000 — equivalent to 11.8c a share.

A clearer picture of Premier's overall profit prospects for the year, and possibly some indication of the likely level of the annual dividend, is expected to emerge late next month when Premier's circular to shareholders detailing the terms of the recently announced rights issue is released.
PREMIER PAPER
New package

But for the closing of the JSE on Wednesday and Thursday, Premier Paper (PPM) would probably have reacted very favourably to its recent interim announcement, which forecast 47c second half earnings from SA operations and at least 94c for the full year before taking into account the proposed rights issue later in the year.

According to the interim for the six months to December 31 1978, PPM’s first half earning rose to 69c (2c loss), of which 22c came from its Rhodesian sub-
sidiary, Hunyani Pulp & Paper Industries, which was still at that stage being consolidated. However, due to the Rh$10.9m deal between Nampak and Hunyani, PPM will in future bring only Hunyani’s dividends to account.

The deal, which will involve Hunyani issuing 15.5m shares to Nampak for a 100% stake in two Rhodesian subsidiaries, Amalgamated Packaging Industries (Rhodesia) and Rhodesian Packaging, has reduced PPM’s stake in Hunyani to 19% (51.8%). While it is possible that the broader operation could ensure dividend continuity, the interim points out that Hunyani’s dividend payments amounted to a mere 11.6c per PPM share and no immediate change is expected. Nevertheless, bringing the first-half 22c earnings contribution from Hunyani to account, PPM’s earnings could rise to 116c this year. However, on SA earnings alone a traditionally twice covered dividend of 47c is possible.

Peter Pittendrigh
Prem Paper forecasts 25c minimum dividend

Mercury Correspondent

JOHANNESBURG — Earnings of 95 cents a share and an annual dividend of 25 cents a share are the minimum which shareholders of Premier Paper Mills can look for in the year ending June.

The forecasts come in a formal document issued yesterday for PPM's double rights issue of ordinary and convertible preference shares.

The document shows that of the 69 cents earned in the six months ended December, 50 cents came from operations within South Africa and only 19 cents represented PPM's attributable share of earnings at Hungani Pulp and Paper Industries in Rhodesia.

Merger plan

Hungani is itself in the throes of a merger that will reduce PPM's holding from 52 percent to 19 percent of Hungani's enlarged share capital.

PPM will thus in future bring to account Hungani dividends as and when received, but no material change is anticipated in dividend income in the short term and there should be an improvement in the long term.

The PPM directors say that the "rising trend, in profits generated in South Africa" is continuing, and expect a trading profit of at least R750 000 in the current half year, against R648 000 in the first half.

R1,8m tax loss

No tax is payable on these local earnings because there was an assessed tax loss of R1,6 million at June 1978. By the end of the current financial year, the utilised tax loss will stand at about R750 000.
PREMIE'S RIGHTS
More new paper

On news of the interim results and the two proposed rights issues, the market pushed Premier's share price from 280c to 360c. But on the release of the offer document this week sanity appears to have been restored and the price is back down to 280c. This still represents a handsome premium over the subscription price of 225c for the ordinary shares. And both issues seem certain to be fully subscribed.

The rights issues are totally separate but shareholders may subscribe for either, or both. The terms are: one ord for every four held, at 225c per share; and for every 100 ords held 120 11,3% convertible cumulative R1 prefs, convertible in June 1982 and 1983, on the basis of 28 ords for every 100 convertible prefs. The effective conversion price is 357c in 1982 and 1983, after which time the option to convert lapses.

The issue of the ords should raise about R736 000 and the prefs R1,58m, to make a total of R2,3m, which is probably about as much as the group could safely go for, bearing in mind its capitalisation of R3,6m.

Premier's earnings for the year to end-June are expected to be 95c, with a 25c dividend. This puts the ords on a prospective earnings yield of 42.2% and dividend yield of 11,1%. Buyers of the rights will be entitled to the 25c dividend for six months to end-June. For the man in the street the ords are probably the best bet, as the yield differential between them and the prefs is a mere 0,2%. For the institutional investor, the prefs are the more attractive.

Reverse takeover
Earnings of 95c include Rhodesian-based Hunyani's contribution for the six months to end-December. But from the beginning of 1979 Hunyani's results will not be consolidated and dividends will be accounted for as and when they are received.

Hunyani is in the process of what is effectively a reverse takeover. In exchange for 15,5m of its shares, it is acquiring paper converters Amalgamated Packaging and Rhodesian Packing, from Nampak, to form a vertically integrated group. Meanwhile Premier's holding in Hunyani will be reduced from 52% to 19%. However this reduction is not expected to reduce the dividend income, which should amount to about R252 000 per annum.

Prior to the latest interim results the bulk of Premier's profits have come from Rhodesia. It contributed 56% of taxed profits in the year to June 1978. But in the last six months the local operation provided 52% of operating profits leaving

Rhodesia to contribute the remaining 48%, still a substantial portion. At the earnings level this translates as 19c from Rhodesia, leaving 50c from SA.

Now with the proposed deconsolidation it is expected that the local operations will easily make up the operating profit shortfall — R700 000 is forecast for the second half — and next year Premier will also receive the Hunyani dividend, worth about 16c on the enlarged share capital. How this dramatic improvement is to be achieved is not spelt out in any detail in the document. But the group will not have to pay tax for some time, having tax losses of R1,6m to offset.

Until recently Premier had been struggling to break into the consumer market and gain market share. In doing so margins were cut to the bone, hence the very low profit contribution. Now management feels the company has consolidated its market share and should go from strength to strength, hence the optimistic forecasts, and the rights issues.

Proceeds from the rights issues will enable Premier to restructure its debt. After the deconsolidation of Hunyani the debt/equity ratio is 76,8%. This is obviously a heavy burden, bearing in mind that to gain market share, margins will have to remain competitive. After the rights issue the debt/equity ratio drops to 46,4%.

No profit predictions have been made for next year, but if Premier can maintain its turn-around, the share looks attractive.

Gail Pemberton

Financial Mail March 2 1979


<table>
<thead>
<tr>
<th>Year</th>
<th>Return on cap (%)</th>
<th>Turnover (Rm)</th>
<th>Gross profit (Rm)</th>
<th>Gross margin (%)</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Dividend cover</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>25.2</td>
<td>21.7</td>
<td>20.0</td>
<td>26.4</td>
<td>3.79</td>
<td>2.64</td>
<td>6.20</td>
</tr>
<tr>
<td>76</td>
<td>41.8</td>
<td>48.3</td>
<td>51.3</td>
<td>55.8</td>
<td>3.79</td>
<td>2.64</td>
<td>6.20</td>
</tr>
<tr>
<td>77</td>
<td>6.1</td>
<td>7.0</td>
<td>6.6</td>
<td>7.8</td>
<td>3.79</td>
<td>2.64</td>
<td>6.20</td>
</tr>
<tr>
<td>78</td>
<td>14.6</td>
<td>14.1</td>
<td>11.0</td>
<td>14.6</td>
<td>3.79</td>
<td>2.64</td>
<td>6.20</td>
</tr>
</tbody>
</table>

a chartist's has been a short-term trend however, the...n dividend.

"We wanted shareholders to have the whole picture," says financial manager, Bobby Kantor, explaining why the company has included leased assets and liabilities in the balance sheet. If the precedent is followed by others, particularly by lease-intensive operations such as the stores groups, it will be a great service to shareholders. At present the true gearing of many companies is not disclosed and some have a higher ratio than they deserve. With many companies having little to gain by bringing their leases on to the balance sheet, it makes sense.

Tissue is a very low black priority.

Nevertheless, an earnings statement is expected this year. This would be of interest to shareholders after the past few years of normal profit, and the new budget should keep the company on an upward direction.

Management..."costs rose 38%..." Management dividend looks eminently reasonable. The US tissue technology and products are growing. The most likely prospect, however, is that the dividend is going to rise against the market's 6.9%.

The company is managed by Bill Sanderson and Martin R. Blackall.

Issues: Makes and distributes crimped and textured products. Kimberly-Clark SA 78% of the equity and is itself owned by Sappi.

Man: B. Landaab; managing director: Partridge.
Traditionally, economists have regarded a nation's consumption of paper as a fairly reliable guide to its development and prosperity. By this yardstick, SA still has a long way to go. Its per capita consumption of 40.3 kg per year ranks ahead of Russia (34.0 kg) but is way behind that of the US (273.1 kg) and Germany (137.4 kg). Of the EEC countries, it lags behind even Eire's 74.0 kg.

In the African context, however, it is way ahead. Our major producer, Sappi, is not only the largest pulp and paper group on the continent, but ranks 91st in the Top 100 of the world's leading paper producers in terms of 1977 turnover statistics. In this list, International Paper of the US has for the first time in many years been topped from the top spot by Georgia Pacific, which had a turnover of US$3.7 billion and earnings of $200m. By comparison, Sappi earned R108.2m in sales of R205m in the year to December 31 1978.

Sappi owns four large mills with 11 paper machines and three board machines. It was started from scratch in 1936 by Union Corporation and now produces 430 000 t of paper and board a year, cultivating 87 000 ha of forests with 420 000 trees. It employs 9 000 people and consumes annually 1.6 Mt of pulpwood, 755 M units of electricity and 461 000 t of coal, and supplies 42% of SA's needs.

Newspaper for the inland market is produced at its Enstra mill in Springs on one refurbished and computer controlled paper machine. Enstra specialises in fine papers and newspaper and is a major producer of chemicals, such as chlorine and caustic soda, both used in the pulping and bleaching sequences.

The Mandini mill in Zululand is a 130 000 t-per-year kraft facility. It also has a semi-chemical pulp line for handling hardwoods like eucalyptus and wattle with an annual capacity of 92 000 t. The Tugela mill is the largest on the African continent, producing some 700 t of paper a day. Its produce is mainly for converting into corrugated boxes, paper bags, sacks and other industrial papers.

The other mills are located at Port Elizabeth (Adamas), and at Ngodwana in the eastern Transvaal. The latter is primarily a pulp mill feeding Enstra with kraft chemical pulp for subsequent bleaching and is ideally situated to minimise transportation of pulpwood.

While Sappi's size has led to overseas recognition, it is in the technical field that it is best known. As a measure of its innovative ability, Sappi was the first in the world to develop and use an oxygen bleaching system in 1970.

The process has been patented and so far 10 licences have been sold, including one to Russia and to Japan. The latest to use the process is Procter & Gamble's Flint River mill in Georgia, which will have a capacity of 830 t a day.

One of the main advantages of O₂ bleaching, besides the quality and economy, is the drastically reduced pollution. Pollution in North America is politically a very hot potato.

Locally, the pollution lobby is not nearly so vocal. Nor does it have to be. By and large, Sappi has a relatively clean bill of health. As Eugene van As, Sappi's group MD, puts it: "We have never had a situation within our group of discharging effluent directly into any waterway." Which is what still happens in North America. Also, by comparison, Sappi's mills are fairly clean because they are more modern.

All kraft mills, however, have odour and aqueous effluent problems. "We have managed to come to grips with the aqueous problem at Enstra and are now fairly close to chemical oxygen demand and suspended solids objectives set by the Department of Water Affairs."

At Enstra, the R39m current expansion programme now coming to fruition was not only to update plant but also designed to reduce effluent concentration. But it has not been plain sailing. Sappi has had more than the normal teething problems at Enstra and this led to a 73% drop in operating profit at Sappi Fine Papers. Van As says that the problem stems from a too big fluid bed reactor (one of the largest in the world) but that an interim solution has been found and there are hopes of rectifying the problem in the near future.

Another pointer to Sappi's modern approach is the continuous digesters installed at Tugela. The latest is a 750-ton-a-day monster which will shortly replace 11 000 sawd digesters, with double their capacity.

**Giant fellers-bunchers**

On the forestry side, Sappi just does not have anything as sophisticated as the giant harvesters and fellers-bunchers which are found in Europe harvesting oaks and birch. "We harvest our own timber and do not import logs."

"We have looked at this sort of equipment, but with our relatively low labour costs, we cannot justify the expenditure. Also, our harvesting techniques are complicated by the fact that we operate as cutters not only on the Stellenbosch, but also on the State forests. We cut and haul most of the wood they sell to us. This tends to be restricted to small pockeurs or to thinning (cutting every second or third tree). For optimum use of mechanical harvesting systems, you have to go for clear cutting. Instead, we use the traditional chaine de felling and delimbing but have recently tended to use specialised winches, forwarders and skidders to get the wood to the landing. Also, overseas, it is much more difficult to tempt labour into the woods."

Sappi is well placed with respect to its raw material (our pines mature in about 20 years compared with 50 to 70 years in Canada) but it is at a disadvantage when it comes to transport distances. Paper producers are particularly sensitive to energy and transport costs and Sappi is bound to be adversely affected by the recent hikes. For example, it takes 1400 kwh to produce a ton of newspaper compared to only 550 kwh to produce scrap to pig iron. Sappi's energy bill is roughly R18m a year, representing about 9.5% of total operating expenditure. In the past three years alone, rail freight charges on timber have more than doubled.

To help reduce costs, the group has begun to look more closely at burning waste products.

In establishing its forestry philosophy, Sappi has yet to decide the ultimate balance between supplies drawn from State forests, its own resources and from a host of small, independent loggers. Currently, the State supplies roughly 33% of group timber requirements, 20% comes from Sappi forests, and the balance from the independents.

Eugene van As... aiming for 20% return on assets

Financial Mail April 13 1979
In Canada, for example, the forest resource is regarded as a national asset, with most land owned by the Crown. There, the major pulp and paper companies are tending to decline the burden of reforestation because of low returns. With their slow wood maturation rates, they are in effect planting for their grand-children. This is not the case, however, in countries such as the US, Australia and Brazil, which are fast developing major forest resources through private investment.

In SA, Sappi is in the happy position of planting more than it is cutting. This does not imply increasing acreage, but rather better use of existing land, since it still has 12,000 ha suitable for planting.

Sappi's organisational structure has undergone radical changes since May 1977. At that point, the group's management was split up into three operating entities, Sappi Fine Papers, Sappi Kraft and Sappi Forests. Fine Papers took on the job of handling the printing and writing papers as well as newsprint, and manages the Enstra and Ngodwana mills. Kraft is responsible for all packaging grades (Tugela and Adamas), while the forest division takes care of all silviculture in the eastern Transvaal, Natal and Zululand.

A primary aim of the reorganisation was to bring management objectives into focus and to define responsibilities and accountabilities more clearly. With one exception, says Van As, this has worked well. One change has been to revert to centralised staff functions, such as personnel. Now the forest division, for example, is a profit centre, charging the going rate for its products and services. This is also a reason for wanting to define clearly the return available from forestry.

More recently, Sappi's upper management echelon has undergone considerable change. Picking up from Ron Day, who resigned unexpectedly as MD in May last year after 24 years service, Van As has overseen a host of appointments — and several departures, such as Bob Garden, who has retired as MD of Sappi Fine Papers. His position has recently been filled by Ken Lechmere-Oertel, formerly operations director of Lion Match.

Lon Wayburne is due to retire at the end of this month (Van As emphasises that these retirements have all been "normal" in the sense that the people involved have reached mandatory retirement age) and his position as group technical director is to be taken by Alec Rodger, currently technical director of Sappi Kraft.

Mike Struiweg has come in as MD of Sappi Kraft (he was formerly a group manager at Protea) and John McMamns, formerly financial director of Reed and Nampak, will fill the top financial slot at head office.

During the past three years Sappi has been squeezed between weak markets for its newsprint and packaging grades and extensive capex. In retrospect, it did well to maintain its dividend at 20c as earnings slipped from 58.5c in 1974 to 44.6c in 1977. Despite a 13% decline in trading profit for the year to December 31, 1978, taxed attributable earnings rose 3.1% thanks to Enstra's tax cushion, which led to a tax rate of only 14%. The attributable interest of 39.1% in Carlton Paper also helped offset much of the setback.

Sappi has now established a new base for future growth both in terms of management and up-to-date plant. Indeed, in the past few months, Sappi's mills have been running at 98% of capacity. But, since an additional 15% of fine paper capacity, and 10% more Kraft, will progressively come on stream this year, Sappi is well placed to benefit from any additional consumer expenditure.

Overall, the outlook for Sappi is brighter than for some time, even allowing for capex this year, including R20m for the Miherton recycling plant. Chip in better results from Carlton and earnings could well rise to 75c a-share and the dividend to 30c within the next three years, if the group's objective of a 20% return on total assets is achieved.

For the future, Sappi plans to diversify within the forest products industry, producing a broader range of chemicals and diversifying into solid wood products. It is also looking at further replacement of chemical papers and should continue expanding exports, which now total some 5% of total production.
Attractive prospects

Activities: Integrated forest product manufacturing and recycling; paper products; and chemical and pulp mill. Also diversified production of plastic and rubber products.

Chairman: E. P. Ravy, group managing director, 5 East St, Sydney.

Capital structure: Shares, 142,466,966. 14% Market capitalisation: RS 39.7m.


Share market: Price: Rs 315c (1978/79: high, 315c; low, 165c; trading volume last quarter, 368,000 shares). Yields: 16.2% on earnings; 7.0% on dividend. Cover: 2.5. PE ratio: 6.2.

Paper consumption is particularly sensitive to economic conditions. As such, Sappi's results for the year to December 31 should be viewed in the light of minimal growth in demand — and some major problems experienced in commissioning the new bleaching and pulping facilities at its Enstra mill in Springs.

This caused a severe setback in Sappi Fine Papers' profitability, which dropped by some 73%. As a result, the group had to resort to imports of pulp to keep Enstra's paper machines going. Eventually the problems at Enstra are well on the way to being solved and Fine Papers can look forward to a good year.

Although the other two operating entities of Sappi, Kraft and Foresta, did well, they were unable to make up the shortfall. And, in the end, it was the consolidation of the 39% in Carlton Paper that led to Sappi's results being so reasonable.

While turnover rose above Rs 200bn for the first time, the 4% increase was accompanied by a 13% decline in pre-tax profit to Rs 19.7bn. But, due to the low tax rate of 14% (31%) flowing from extensions to Tugela and Enstra, taxed profit rose by 8% to Rs 16.9bn. Total borrowings reflected a rise from Rs 35.4bn to Rs 6.2bn and the returns on capital employed and margins again slipped.

During the year demand for fine papers was steady, although deliveries were hampered by problems at Enstra.

Newspoint demand was slack and orders for packaging grades were so bad that at one point the Tugela mill operated at only 40% of capacity.

To pick up the slack, exports were successfully pursued and the group is now committed to a programme which should lead to consistent exports of between 5% and 10% of Tugela's capacity. Prices, however, are low, and exports will contribute only marginally to profit. But at least fixed overheads will be covered.

Chairman Ted Pavitt is expecting strong demand for Sappi's products this year. Indeed, all its mills have been operating at virtually full capacity in the past few months. He is concerned, though, with rising costs, but the recent 12% increase (posted in March) should go a long way to offsetting higher transport, energy and freight costs. And with the market so buoyant, there is unlikely to be a drop in volume sales.

Sappi is on record as having set an objective of earning not less than 20% before interest and tax on total assets within three years. It also intends diversifying into solid wood products, producing a broader range of chemicals by-products and is investigating further replacement of imported papers.

Having broken the back of its hefty capex programme of the past decade, this should not be an impossible achievement. And if the fluid bed reactor at Enstra is soon brought to full capacity, earnings this year could reach 66c, with 75c and a 30c dividend possible in the following year.

From a chartists' point of view, Sappi's relative strength continues to outperform the RDM 100. In the past two years, the share has moved ahead of the index by 36%. Both Sappi and the RDM 100 regained bullish trends in August 1977, although the share's low came approx imately two years after that of the index.
After Stanger deal take another look at Sappi

The shares of Sappi deserve to be re-rated. This week’s deal to buy Reed’s interest in Stanger Pulp and Paper for a cash outlay of R3,5m should bring with it all kinds of benefits which in time should make today’s share price cheap.

The way the deal has been structured, there is no strain on Sappi’s balance sheet or cash flow—only benefits. The groups net asset value rises by about 70c to 570c a share; Sappi will now be able to defer some of its earlier announced hefty capital expenditure programme; it obtains a modern mill whose products have found greater market acceptance; and there are vast assessed tax losses which Sappi can use.

Because the Stanger operation is situated on the coast, there should be various milling savings, and there will be various areas for rationalisation.

In last year’s annual report, Sappi laid out its objectives for shareholders. It said:

“...the group aims to earn a return of not less than 20 percent before interest and tax on total assets within three years, and to achieve earnings which will not be less than 20 percent on shareholders’ funds within the same time span.

“The group aims to sustain a compound dividend growth rate of not less than the rate of inflation over the next three years, and to achieve earnings which will maintain a dividend cover of 2.5 times.”

Following on the Stanger deal, Sappi is now looking for its timetable on the above projections to be brought forward—possibly by a full year.

At the May annual general meeting, chairman, Mr Ted Pevitt, told Sappi’s shareholders that despite certain difficulties, pre-tax profits for the first quarter of the current year were well above those of the comparable period in 1978, and that year end results “will be significantly greater...”

Though no immediate impact on the earnings of Sappi is expected this year, there should be a decided boost in 1980.

Given the encouraging statement at this year’s annual meeting—well before the Stanger deal—that earnings should rise significantly, I expect Sappi’s total dividend to rise this year.

Perhaps the increase will not be that great at the interim stage, but come year-end when the Stanger operation is running side-by-side, and the final should be good.
Exports catch alight

A R55m paper export boom (tonnages rose 33.5% last year) coupled with greater local consumption, has revived the R700m-a-year industry. Paper makers are predicting a 3% to 5% growth over the next few years and have embarked on expansion programmes worth R124m.

Total production last year was up 3.9% to over 1,02 Mt on 1977, while consumption increased 5.2% to 1,04 Mt. At the same time imports dropped 1.9% to 146 860 t and exports rose a massive 33.5% to 171 173 t. In 1976 exports totalled 79 113 t.

Mondi MD Reg Donner agrees that "the market certainly has gone ahead" and attributes the surge in exports to what he terms the Japanese syndrome. Industrial countries, such as Japan, are moving away from primary production and reproduction (importation of chips and pulp for local manufacture of paper) -- SA exports for these materials were worth R62m in 1978 as pulp mills become obsolete in the face of latest technology and costly to replace. A plus for countries such as SA is that adequate raw materials exist for expansion on the scale necessary to support the enormous capital outlay. Timber matures on about a 14 year cycle in SA compared with 60-70 years for northern hemisphere producers such as Canada and Scandinavia.

Mondi will be spending about R62m on new papermaking equipment for its Durban factory to expand existing production 50% to 400 000 t a year, and reckons that the additional output will enable it to push exports up 25%. With a planning lead time of four years, the expansion reflects Mondi's "confidence in future growth on both local and export markets" says Donner. Meanwhile, Mondi paperboard subsidiary, SA Board Mills is spending R25m on expansion at its Durban, and Springs factories.

Major foreign customers are Latin America, Japan, Europe, the Middle East, Hong Kong and the US, while Donner hints at export negotiations "with a country which would surprise a few people".

Recent shipments included 8 500 t of newsprint worth R33m, bound for the west coast of the US, while total Mondi exports rose 66% to 10 000 t worth R40m in 1978. Other exports include fine papers (R6m is being spent on machinery for magazine papers) and computer paper to Australia and the US.

Dependent on petrol and diesel in its forestry operations, the industry has not been unaffected by the fuel price hike. Newsprint prices recently went up about 2%, and the other major producer, Sappi (which is spending R3m upgrading and expanding its Enstra plant), has announced a 5% increase for paper packaging materials to "meet escalating tree harvesting and transport operating costs". Chief executive Eugene van As says the withdrawal of the agricultural diesel subsidy granted for forestry operations has seriously affected the timber industry.

"Harvesting and transport costs account for 75% of the cost of pulpwood, while only 25% of the cost relates to the actual growing of trees," he points out.

When Sappi increased writing and printing paper prices in March, it announced that it hoped to hold prices firm until the end of 1979. Van As, however, now says that while no immediate increase for fine papers is in the offing, an increase in the last quarter can't be ruled out.

Financial Mail July 13 1979
PER

ng returns

roduces and distributes

ers. Tissue papers are

olly-owned subsidiary,

er industries, at Bell-

has a 19% stake in

'C holds 69% of the or-

in Mackenzie.

ture: 1.6m ordinaries of

5.5% cum prefs of R2;

vertible cum prefs of

apitalisation: R7.3m.

ear to June 30 1979.

long and medium term,

ort-term, R2.4m.

atio: 41.3%

et cash flow: R2m.


s: Price: 456c (1978/79:

ow, 80c; trading volume

last quarter, 76778 shares). Yields:

.5% on earnings; 6.8% on dividend.

ver: 3.6, PE ratio: 4.3.

76 77 78 79

Return on cap % ....... 9.7 6.5 8.0 19.7

Turnover (Rm) .......... 19.4 19.0 24.1 24.6

Trading profit (Rm) ....... 2.8 2.5 3.0 3.8

Gross margin % .......... 13.2 8.7 7.9 15.4

Earnings (c) .............. 51.4 25.0 40.5 107.0

Dividends (c) .............. 28 18 18 30

Net asset value (c) ........ 602 833 224 769

Premier's results underline the benefits of high gearing. With the debt/equity up at about 60% at the start of last year, the efficient utilisation of expanded capacity boosted adjusted trading profit from R3m to R3.8m on a 1.8% increase in turnover.

During the year, however, gearing was reduced by a R2.2m rights issue which was used to reduce borrowings, and interest paid is down from R1.1m to R816 000.

Chairman Ian Mackenzie says that, although modern practice encourages companies to report contributions as to turnover and profit by division, "I believe that such disclosure would not be in the best interests of Premier Paper at this stage." Just what damage could be done is obscure.

Mackenzie does record, however, that Kliprivier Mill earned a record profit and that, while Southern Products increased market penetration in consumer and industrial fields, the "price war" eroded margins.

Premier, as planned, elected not to follow the recent Hunyani rights issue, so that the company's stake dropped from 55% to 19%. Future income from Hunyani, previously consolidated, will be taken into the books only when the dividends are received. Consolidated in the 1979 accounts, Hunyani contributed R4.3m (R3.4m) towards turnover. The profit contribution, to an unadjusted R1.8m, was R230 000, equivalent to about 20c a share.

Premier's fortunes are now firmly based in SA, compared to the 50:50 turnover split in 1975. The retention of a small stake in Hunyani gives Premier an attractive foot in the door to higher profits when conditions improve north of the Limpopo.

Mackenzie says stability is returning to the domestic tissue market and excess capacity is now being used for exports. "This change could have beneficial results for the industry as a whole," he says. To take advantage of improved conditions, Premier will be spending R2m on capital expansions this year.

On conservative assumptions, Mackenzie forecasts a taxed profit of R2m for the current year. This gives prospective earnings of about 128c. Dividend cover last year was historically high at 3.8, but is understandable in view of the cash requirements for expansion and maintaining market share. And the profit dip in the 1976/77 years set the retained earnings growth figure back. But, with a note of optimism from the chairman, it is not improbable that cover will be set at a lower 3-3½ times figure, giving a prospective payout of 4½c, and an attractive prospective yield of 9½%.
workers at an Anglo American Corporation plantation in Natal say some of them earn less than R40 a month.

The plantation in Hilton, near Pietermaritzburg, is part of the Natal Tanning Extract, a member of the Anglo American Industrial Corporation.

When POST asked the company's chairman, Mr Chris Griffith, about the workers' allegations, he told us: "There are both inaccuracies and misinterpretations in your telex."

He "suggested" that we submit our draft article to him so that he could check the information it contained — "thereby avoiding a one-sided story."

We asked for answers to our questions and refused that he edit our story.

The workers alleged:

- They are paid R1.95 a day to load a quota of 660 on lorries, and if
- They fail to make the quota the amount drops R1.80 a day.
- They alleged that their pay varies between R29 and R41 a month.

(Computed at a generous 27 working days a month, R1.95 a day works out to R39.95 a month).

- The handful of women working at the plantation are paid R1.00 a day. They get this amount only on meeting their quota of work.
- They get rations of mealie meal, sugar and bread every Monday. But they have to use most of these up early in the week because they have no fridges.
- There are three communal taps for the "compound", which has just over 300 people. The water from one of these taps — drawn from a nearby dam — is muddy. Every time they wash white stuff in it, the stuff turns red.
- They use communal pit toilets.
- They work Saturdays too, except for one Saturday a month when they are allowed to go shopping.

NTE is the second Anglo American Industrial Corporation company refusing to answer allegations from workers.

Last month we published a story on De Hoek Sawmills, where some women alleged they earned R39 a month and men a minimum of R53 a month.

The de Hoek personnel manager, Mr Mike Markey, refused to answer our questions, alleging that we had got our information from an employee or a former employee.

The de Hoek plantations are in the Northern Transvaal.

When we visited the NTE plantation in Hilton, we were turned away by an induna and a watchman, who threatened to arrest us.

People we tried to talk to at the "compound" said they would get into trouble if they spoke to us without the permission of the induna. A white man on the plantation also turned down our request that we go to the compound.

Workers who felt strongly about their "low wages" followed us out to tell us about the plantation.

The "single" men are housed one or two to a
### VII DISEASES OF THE CIRCULATORY SYSTEM

<table>
<thead>
<tr>
<th></th>
<th>W</th>
<th></th>
<th>A</th>
<th></th>
<th>C</th>
<th></th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
<td>M</td>
<td>F</td>
<td>M</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>0-1</td>
<td>0.51</td>
<td>0.33</td>
<td>1.10</td>
<td>0.21</td>
<td>1.80</td>
<td>1.59</td>
<td>0.13</td>
</tr>
<tr>
<td>1-4</td>
<td>0.05</td>
<td>0.06</td>
<td>0.02</td>
<td>0.10</td>
<td>0.15</td>
<td>0.17</td>
<td>0.02</td>
</tr>
<tr>
<td>5-24</td>
<td>0.07</td>
<td>0.06</td>
<td>0.09</td>
<td>0.10</td>
<td>0.14</td>
<td>0.17</td>
<td>0.11</td>
</tr>
<tr>
<td>25-44</td>
<td>1.09</td>
<td>0.44</td>
<td>1.31</td>
<td>0.70</td>
<td>1.54</td>
<td>1.27</td>
<td>0.73</td>
</tr>
<tr>
<td>45-64</td>
<td>9.75</td>
<td>4.44</td>
<td>14.76</td>
<td>10.70</td>
<td>18.33</td>
<td>8.25</td>
<td>4.61</td>
</tr>
<tr>
<td>65+</td>
<td>42.19</td>
<td>32.91</td>
<td>55.20</td>
<td>47.72</td>
<td>43.42</td>
<td>40.90</td>
<td>13.55</td>
</tr>
<tr>
<td>ALL</td>
<td>37.70</td>
<td>31.81</td>
<td>42.22</td>
<td>22.25</td>
<td>27.44</td>
<td>26.69</td>
<td>1.14</td>
</tr>
<tr>
<td>NO.</td>
<td>9752</td>
<td>7926</td>
<td>1135</td>
<td>804</td>
<td>3114</td>
<td>3140</td>
<td>2390</td>
</tr>
</tbody>
</table>

### VIII DISEASES OF THE RESPIRATORY SYSTEM

<table>
<thead>
<tr>
<th></th>
<th>W</th>
<th></th>
<th>A</th>
<th></th>
<th>C</th>
<th></th>
<th>B</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>F</td>
<td>M</td>
<td>F</td>
<td>M</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>0-1</td>
<td>2.90</td>
<td>2.22</td>
<td>7.83</td>
<td>4.85</td>
<td>32.20</td>
<td>28.78</td>
<td>13.54</td>
</tr>
<tr>
<td>1-4</td>
<td>0.22</td>
<td>0.28</td>
<td>0.90</td>
<td>0.69</td>
<td>5.72</td>
<td>5.45</td>
<td>2.46</td>
</tr>
<tr>
<td>5-24</td>
<td>0.05</td>
<td>0.06</td>
<td>0.17</td>
<td>0.11</td>
<td>0.21</td>
<td>0.23</td>
<td>0.18</td>
</tr>
<tr>
<td>25-44</td>
<td>0.20</td>
<td>0.12</td>
<td>0.37</td>
<td>0.33</td>
<td>0.94</td>
<td>0.72</td>
<td>0.66</td>
</tr>
<tr>
<td>45-64</td>
<td>1.46</td>
<td>0.92</td>
<td>3.33</td>
<td>1.85</td>
<td>4.88</td>
<td>2.14</td>
<td>2.75</td>
</tr>
<tr>
<td>ALL</td>
<td>1.12</td>
<td>0.97</td>
<td>1.22</td>
<td>0.79</td>
<td>2.87</td>
<td>2.22</td>
<td>1.37</td>
</tr>
<tr>
<td>NO.</td>
<td>2335</td>
<td>2019</td>
<td>430</td>
<td>282</td>
<td>3270</td>
<td>2588</td>
<td>2858</td>
</tr>
</tbody>
</table>

---

The table above shows the distribution of diseases by age and gender for the circulatory and respiratory systems. The data is presented in a tabular format with columns for gender (W - male, A - female) and specific values for different age categories. The summary data is also provided at the end of each age group. The table for the respiratory system follows the same structure.
Another strike hits PE

PORT ELIZABETH. — More than 200 workers at the Adams Paper Mill (Pty) in Port Elizabeth refused to go on shift yesterday in protest over a wide range of grievances. The strike was the second at the plant in two weeks and brings to three the number of major plants in Port Elizabeth affected by industrial unrest in recent weeks.

Among grievances are low wages, a rejection of liaison committees and a demand for union representation; and no bonuses being paid.

Some workers said they were demanding the 75c an hour minimum wage be increased by 20c.

Paper mill officials refused to comment on the stoppage.

Meanwhile dismissed Ford company workers yesterday threatened to take legal action to get bonus pay they claim the company owes them. Seven hundred workers paid off after a walk-out on Wednesday were due to meet in New Brighton again yesterday to discuss strategy and formally decide on legal action on bonuses.

Pay-outs at the company’s Struandale plant proceeded quietly yesterday.

The General Tire plant in Port Elizabeth was quiet yesterday after the mass dismissal on Thursday of the plant’s 625-strong black work force which followed a three-day wild-cat strike in demand of union recognition. — Sapa.
'PE unrest will continue' as long as management and black workers remain at odds, further industrial outbreaks can be expected in Port Elizabeth, warn politicians, unionists and churchmen.

The warnings follow mass walkouts involving more than 2 000 black workers at the Ford Cortina plant, General Tire and SA Adamas Paper Mill.

"Until the dominance of race in industry assumes a lesser role we can expect further outbreaks," Dr Alex Boraine, an Opposition labour spokesman in Parliament, commented after a visit to Port Elizabeth this week.

Dr Boraine called on management to exercise patience, understanding and skill.

A leader of the National Union of Motor Assembly and Rubber Workers, Mr Fred Sacks, said unless adequate trade union facilities that had the support and confidence of the black workers were created, conflicts like those experienced in Port Elizabeth would continue. He said the management-dominated liaison committee could never represent black workers in shop-floor situations. Because of the laws which prevented blacks from registering their unions over the years the unions were unable to adequately represent the people.
Strikes in PE show signs of breaking

Own Correspondent

The strike by more than 1,000 black workers at three Port Elizabeth companies seemed to be breaking today.

About 1,000 workers turned up at Ford and General Tire to seek employment to replace the 1,200 black workers who lost their jobs because of last week's strike.

And 140 of the 170 workers in the first shift at the Adams Paper Mill also resumed work.

The remaining 70 were sacked in keeping with a company ultimatum.

At Ford's Struandale plant, where 700 lost their jobs, about 400 turned up today. Only a handful were Africans, about 10 of them from the ranks of the strikers.

The leaders of Ford's strikers today reaffirmed their determination to hold out until their grievances were resolved.

At General Tire all the strikers turned up to seek re-employment, according to a spokesman for the workseekers.
MIII WORKERS WERE 'INTIMIDATED'.

The workers refused to report for work that day. They were convinced that their families would suffer if they left their homes.

The management director, Mr. Dyer, held a press conference to announce the situation to the public, but he refused to accept the workers' demands.

Meanwhile, the Port Authority forwarded a delegation to the Company to discuss the workers' demands.

The workers, led by the Secretary of the Union, met with the management director to negotiate a settlement.

The workers' demands included better wages, improved working conditions, and protection against harassment.

Despite the negotiations, the workers remained determined to fight for their rights.

PORT ELIZABETH — In the meantime, the workers were 'intimidated' by the management's refusal to negotiate.
impossible, we have a difficulty in respect of the right of the debtor to claim the performance due. He may demand the performance which is unfair because the debtor need not have been rendered impossible by the expenditure of that performance. We case of a man who enters into a contract to build a house. The builder may, if he does not wish to perform, but he must deduct the money not having to perform himself. We consider paragraph of Chapter 17).

The innocent party may elect to the guilty party has rendered performance: it was not yet due at that time (2950). In this respect, this form of repudiation. Both are examples of non-performance. (Kontrakbreuk in anticipane

The rules which apply where non-performance arises in the case of divisible material portion of the indivisible case of breach by rendering performance which even where the creditor’s pro rata reduction he may then claim a surrogates of the debtor’s performance.

An important difference between impossibility existing at the time of the contract or impossibility due to culpable behaviour, impossibility must be objective, as we have said, being caused, is not a breach of contract. Thus, for instance, B then sells and delivers it to C, the possibility of performance because the mercantile capable of being delivered to B. But, before his power to perform, because there is a sale, has committed a breach. (See Voet, 19114

Note that where one party makes it in the other party to perform on time, but when rendered permanently impossible, and where connection between the contents of the performance is tantamount to no performance dealing with non debitoris or non credit and not with rendering performance impossible body to paint my house and when he arrived ed day I am out and the house is locked, tho I have sold the house it is a case of impossible

(For further information, see Wessels, De Wet and Yeats, pp. 119-123; Menabé: 132.


CHAPTER 16/..............
Adamas mill takes back 80 workers

Own Correspondent
PORT ELIZABETH. — A total of 80 workers dismissed by Adamas Paper Mill after strikes drive has been re-employed by the company, the general manager, Mr. C. Malkin, said yesterday.

"I've been quite encouraged by the response. This is helping considerably to get things back to normal. "Judging by the reaction of those who have returned, we expect a lot more to come back," he said.

Applications were being processed as fast as possible, he said.

Meanwhile, the mill was yesterday still paying off workers who were laid-off or fired earlier this week.

At another trouble spot, the Ford Motor Company, the recruiting programme continued yesterday with many dismissed workers still being taken on.

Mr. Thabalela Botha, chairman of the Port Elizabeth Black Civic Organisation, of those fined last week, said it was up to individual workers to decide whether they wanted to re-apply for their jobs.

He said he was confident a letter sent by former employees of Ford's American parent company in Detroit, asking for a commission of inquiry to investigate worker grievances, would bring some response.

He confirmed that Pefco had had discussions on Monday with the Cape Town-based United States Consul, Mr. Chuck Olsberg, and a senior labour attaché from the embassy in Pretoria when the men visited Port Elizabeth this week.

Mr. George Manasse, national organiser of the United Automobile and Allied Workers Union, said he also met one of the officials.

Asked if Pefco support was as strong as at the height of labour unrest, Mr. Botha said it was, in fact, growing all the time.

Mr. Manasse said the union had decided to seek a mandate from former Ford union members to take up their case with management.

"It is up to the members to decide whether we should represent all the dismissed workers or only the union members," he said.

Members had approached the union to find out what actions it could take.

In a statement issued yesterday, Ford management said the company was continuing its investigation into grievances with the full participation of the union.

The company viewed the union as the official channel of communication with workers.

"But we are prepared to enter into discussion with any other body which is representative of workers provided the union participated in these discussions," it said.

The statement said the company was prepared to re-employ former workers and, in fact, gave them preference over new workers.

The company's only knowledge of the letter sent to America by former employees was through Press reports and it could therefore not comment on it, the statement said.

In the absence of the support of the unions, Ford had offered to pay all the workers who were still lost and the company had started negotiations with them.

It was barely surprising that the space-estate of the Ford area was so large, said a former employee.

He added that the area was being used as an experiment in mass housing by the company.

The area was being developed as a self-contained community with all the necessary facilities for the workers who were to be employed there.

In the absence of the support of the unions, Ford had offered to pay all the workers who were still lost and the company had started negotiations with them.

It was barely surprising that the space-estate of the Ford area was so large, said a former employee.

He added that the area was being used as an experiment in mass housing by the company.

The area was being developed as a self-contained community with all the necessary facilities for the workers who were to be employed there.

In the absence of the support of the unions, Ford had offered to pay all the workers who were still lost and the company had started negotiations with them.

It was barely surprising that the space-estate of the Ford area was so large, said a former employee.

He added that the area was being used as an experiment in mass housing by the company.

The area was being developed as a self-contained community with all the necessary facilities for the workers who were to be employed there.

In the absence of the support of the unions, Ford had offered to pay all the workers who were still lost and the company had started negotiations with them.
80 sacked workers get their jobs back

PORT ELIZABETH — A total of 80 workers dismissed by Adamas Paper Mill after strikes have been re-employed by the company, the general manager, Mr C. Malkin, said yesterday.

"I've been quite encouraged by the response. This is helping considerably to get things back to normal. Judging by the reaction of those who have returned, we expect a lot more to come back."

Applications were being processed as fast as possible, he said.

Meanwhile, the mill was yesterday still paying off workers fired earlier this week.

At another trouble spot, Ford Motor Company, the recruiting programme continued yesterday with many dismissed workers among those taken on.

Mr Thezamile Botha, chairman of the Port Elizabeth Black Civic Organisation, one of those fired last week, said it was up to individual workers to decide whether they wanted to reapply for their jobs.

He said he was confident that a letter sent by former employees to Ford's American parent company in Detroit, asking for a commission of inquiry to investigate worker grievances, would bring some response.

He confirmed that Pebco had discussions on Monday with the United States consul based in Cape Town, Mr Chuck Ohlgreen, and a senior labour attaché from the embassy in Pretoria, when the men visited Port Elizabeth this week.

Mr George Manase, national organiser of the United Automobile and Allied Workers' Union, said he also met one of the officials.

Asked if Pebco support was as strong now as at the height of labour unrest, Mr Botha said it was in fact growing.

Mr Ohlgreen confirmed yesterday that American diplomats had discussed the Port Elizabeth industrial unrest with the Ford Motor Company, but this was not why they had come to Port Elizabeth.

In a telephone interview, Mr Ohlgreen said he and another senior diplomat had discussed other matters and visited other firms.

"It is part of my work to regularly visit branches of American mother companies in Port Elizabeth," he said.

Mr Ohlgreen confirmed that he had met Mr Thezamile Botha.

"I met Mr Botha at a social gathering. We spoke informally and the strikes were not specifically mentioned." — SAPA-EDG.
Normal work returns to strike-hit firms

AFTER three weeks of labour unrest in Port Elizabeth, work at the three unrest beset plants is returning to normal, largely owing to many dismissed workers returning to seek re-employment.

Adams Paper Mill has been back to full production since the weekend while Ford's Cortina plant is on low level production.

General Tyres plant is believed to be back in production though no one at the plant or at head office was either available for or prepared to comment.

The public affairs director of Ford, Mr Dunbar Bucknall said yesterday that since the recent walk-out of 700 Cortina plant workers 253 workers had been employed there. Of them 177 had been former employees.

The recruitment programme was continuing. Production would be in full swing again once enough people had been recruited. Applications were still flowing in, and preference was given to former employees.

He said the United Automobile and Allied Workers Union would report back to the black workers at 12 noon after meeting yesterday and on Monday with Ford.

He said he believed the response to what the unions reported back would probably influence the number of former employees still to return for re-employment.

One of the issues negotiated by the union is re-employment of all dismissed workers without forfeiture of benefits.

Mr Bucknall said white workers union and other representatives were also present at meetings with management to resolve grievances.

DISMISSED

He said about 650 workers would be employed to replace the 700 dismissed workers. The smaller number would enable the plant to return to a five instead of a four day working week.

The managing director of Adams Paper Mill, Mr Clive Malkin, said in an interview yesterday that at least 200 of about 250 workers dismissed had been re-employed. No new people were taken on.

Although more former employees were being taken on, the number would eventually be less than 250 because of rationalisation.

No grievances had formally been presented to the company and he believed the workers were politically motivated and largely caused by intimidation. However, the company was meeting the liaison committee with a view to resolving possible grievances.

He said a new wage agreement of which negotiations started before the unrest was coming into effect at the end of the month and had probably contributed to workers' return to the company.

No spokesman was available at General Tyres plant in Port Elizabeth where 625 workers were dismissed after a walkout. The managing director, Mr R G Nicholson, was not available for comment at the Johannesburg head office.

When the secretary treasurer, Mr P Wilde, was approached, he said he did not know what was going on at Port Elizabeth plant and nobody else at head office did.

It is believed, however, that the plant is in full production and that most of the 625 dismissed workers were re-employed.
BLACK WORKERS dismissed at Ford Motor Company’s Cortina plant, a fortnight ago yesterday reaffirmed their stand of staying away from work unless all fired workers are reinstated.

The decision was taken unanimously at a special meeting attended by more than 500 workers at the Holy Spirit Church Hall, KwaZakhele. The workers also decided that their fringe benefits, in bonuses, pension and medical aid, should be guaranteed. However, they were prepared for management to consider their grievances when they were at work.

The decision by the workers dashed hopes by the United Automobile Workers Union and Ford management that the long-drawn-out dispute could be resolved this week under the auspices of the trade union.

Yesterday’s meeting was also attended by workers from General Tire and SA Adamaas Paper Mill, two other plants affected by the industrial dispute during the past two weeks, was convened to discuss a report by the trade union from a meeting in Gelvandale yesterday.

At a lengthy meeting in Gelvandale on Tuesday, the Ford employees unanimously expressed themselves in favour of continuing with their demands that the company reinstate them all without loss of benefits.

SHARP

The meeting was characterised with some sharp attacks on union officials.

The workers also disapproved of the decision by management of meeting with union officials that workers should reaply individually for their jobs.

Mr George Manase, national organiser of AWU, who convened the Tuesday meeting, said Ford’s refusal to reinstat all workers and the company was prepared to re-employ as many as possible of the former Cortina plant workers.

Mr Manase also disclosed that Ford had undergone not to employ any worker any longer until he dismissed workers had taken their decision.

He said the union was more than 80 per cent workers would get their bonuses, a share among the more than 700 workers who declined.
Risky, but rewarding

In one form or another paper and packaging touches the lives of everyone. The products range from toilet rolls to share certificates, from cigarette packs to cement sacks. As such, it is particularly sensitive to changes in consumer expenditure. Not surprisingly, in the past 12 months the JSE’s paper and packaging sector has advanced 50.5% compared with an industrial market appreciation of 57.8%. But it was a rise in a year of relatively low demand and excess capacity in the industry. Even so most companies reported strong profit growth, largely as a result of internal rationalisations and acquisitions.

The next 12 months, however, could see the sector outperforming the industrial market. According to a recent report on the South African paper and packaging industry by BIS Market Research, prospects are brighter than at any time since 1973. And the industry has more cause to be optimistic than was the case early in 1979.

Demand growth in 1978 was slow, averaging a mere 3.8% to 537,000 t. This could be an understatement, however, as the figure does not take into account de-stocking during the year, particularly by corrugated converters. Corrugated and paper sack converters had a particularly good year, and, on the whole, the mills recovered from what was a very depressed 1977. The outlook for 1979 is growth of some 4.5% to 561,000 t.

BIS cautions that the projected growth rate for corrugated packaging materials over the next five years may be a little illusory because of a low 1978 base. De-stocking may have meant a higher base and therefore a realistic growth projection over the five years to 1983 is probably 5% annually. It also notes that sack bag producers would have been hardest hit by the events in Iran, and, despite efforts to find other markets, lower tonnages could be sold in 1979. Longer-term, however, an upturn in the cement industry should underpin any fall.

Industry’s capacity is still under-utilised particularly in the corrugated materials, folding carton and paper sack sectors. This capacity could be sufficient to meet demand through to 1990 concludes the BIS report.

Nampak and Kohler are SA’s largest paper and board packaging producers. They have embarked on extensive rationalisation programmes in the past two years, which have resulted in strong profit growth. However, there is a limit to large-scale rationalisation in SA as transport and cost factors necessitate maintenance of factories in some remote areas to serve seasonal requirements. For example, apple packing factories may be far from main centres and idle during the off-season.

An added cause of surplus capacity, particularly in the corrugated material sector, is the advent of a number of new producers — often operating in conjunction with non-paper producers such as Metal Box. The folding carton market is similarly faced by competition from new converters, resulting in pressures on margins.

This should lessen the need for extensive capex in the next few years, although competitive pressures dictate the need for modernisation.

Though there is scope for eventually reducing excess capacities, the increasing number of new competitors, the need to hold market share and potential cost increases are drawbacks. “Margins look like being squeezed,” says Kohler MD Tony Crosby.

Major supplier Sappi, for example, increased prices in January this year by an average 9%, and Hulets’ Ngoye Paper Mills lifted fluting and liner prices by
of reasonably well sustained economic growth for SA, with packaging activities growing in tandem. This would mean demand growth of something like 5%. He says: "Packaging is now a total marketing concept. The expertise of local packaging operations is such that a user can have a pack designed and printed to meet his needs almost overnight."

Crosby is confident of the industry's future. He says the industry is under-rated, which is its own fault, while the average user tends to penny-pinching on packaging, which is short-sighted. "On a supermarket shelf it is not the staff that does the selling, it's the packaging. If the packaging was not there it would require a larger staff to sell, and possibly there would be more pilfering."

Kardol agrees competition is not lessening, with Methbox entering the market with its minority stake in Independent Packaging. Packaging companies cannot easily obtain import permits, so they are subject to the availability of local raw materials. As happened last year and is continuing at present, this means periodic shortages. At one stage in 1978, for example, this problem became so acute that Sappi imported 2 000 t unbleached Kraft linerboard and 2 350 t from Spain of unbleached bleached sack kraft to ease the situation. MD Basil Landau feels there could be some improvement as Sappi, for one, is not chasing exports until local demand can be satisfied.

New companies entering the industry will not alleviate supply problems. But, generally, these new operations could be at a disadvantage in the longer-term. They do not have the financial muscle to hold the large stocks needed to offer a complete packaging service. Packaging is a fairly high-risk industry, and says Tony Crosby, higher returns are justified. But "nobody will maintain the stocks bought ahead of say, the apple season when the crop turns out a disaster."

Newcomers may, however, battle to compete in terms of product innovation because the large local groups have technical arrangements with overseas companies to keep up to date with latest packaging marketing concepts. Says Crosby: "It's not only that we spend a lot on R&D itself, but most of our budget goes on trials and testing ideas from overseas and suitling them to local conditions. Not all foreign packaging products are suitable for SA.

Non-paper market leaders Cons Glass and Metal Box also have close ties with overseas' corporations. Cons Glass MD Jan Robbertzes says his group has a major knowhow agreement with Owens Illinois, a major US producer that spends $80m a year on basic research.

After the past two years' growth, all the major companies are looking for further gains in 1979-80. Basil Landau is confident strong as forecast, Crosby is confident. Tougher economic conditions mean more smaller packaging items. And there is still the black market. In a developing country packaging is a growth area as consumers buy smaller lots, each of which requires to be packed. "Packaging must be a winner," he says.

After three plastic acquisitions, he is not fazed by recent huge price increases in plastics raw materials. He says for weight and distribution reasons, as well as for marketing, plastic packaging must grow. Most industry managers agree. Cons Glass chairman Jan Robbertzes says his group's plastics plant is running very close to capacity and plastic's advantages meant little switching to other products when raw material prices jumped by around 35% earlier this year.

Metal Box holds something like 50% of the beverage can industry, and despite continuing huge losses at its Walvia Bay factory, expects higher profits this year. This group has seen large diversification recently into Metrol and Bartons, and new products, like the two-piece can, should keep the company ahead of its competitors. MD Derek Jacobs told the FM (Fox) November 29 that he was more than satisfied with the start of the packaging operation, which began producing after only six months.

Cons Glass, which boasts a lower-cost product, is Methbox's major competitor. Glass and metal are mutually exclusive in certain uses. Cons Glass's share of the beer and soft drink markets the battle will rage. The two-piece can was matched by the screw-top dummy, and further product competition cannot be far off.

Cons Glass, SA's largest glass maker with interests in plastics, is looking for a good year with demand for its products outstripping the industry average. But, as one paper and packaging companies, competition in every sphere of business is intense, says Robbertzes. However with improving efficiency, he hopes Cons Glass will not have to raise selling prices more than 10% before mid-1980.

The outlook for costs is not as formidable perhaps as for other packaging sectors since Cons Glass relies more heavily on natural fuels like coal gas, and prospects for soda ash are not too bleak in view of the US recession.

Capex to stay ahead will increase as the glass and plastic factories are running close to capacity. Robbertzes expects demand for glass will grow by about 8% next year, which is ahead of forecasts for the economy. Growth in Cons Glass' plastics division is forecast around 12.5% compared with an 8% industry average.

Although the packaging market has already shown strong gains, further advances are on the cards. There are downside risks, but share prices are supported by attractive yields.
From: Winfield, B. 1979
Title: Workers' Stewards and Strike Fighters
Source: Labor History, 20:4, 371-400


tions and Victimization

Strikers' Claim

ER

1979
LYONS Cartage Company (Incorporating Reef Waste Paper Collectors) still have black women washing in the open as there are no washbasins, safety-lockers and cloakrooms.

The women workers were found with buckets in their hands and facecloths used as towels while some of them were in a long queue awaiting their turn at the only washbasin in a dilapidated lavatory in the yard.

Mr Harvey Lynn, the manager of the firm, was not available for comment. The director of the company, Mr K G. Restall, said: "The women are in a better position than those who worked for this company some fifteen years ago, when one comes to recall that the firm is now thirty years old.

"We have already received our plan from the local factory inspectors, but building contractors are on holiday as firms are closed for the festive season, meaning that we have to wait for next year to erect change rooms for our women workers.

Mr Restall added: "There will be lockers for the safekeeping of the workers' personal belongings and the new rooms will have showers with hot and cold water, where the women can bath in privacy."

EXPENSIVE

"But this will be a very expensive project as we wish to accord our workers the best of working conditions and the utmost comfort they deserve, while we wish to increase the staff as the firm is expanding. This will take time," said Mr Restall.

The women workers complain that they have to wash in the presence of men, who are not their husbands and "this unhygienic practice" is not even done in their own homes.

"They said that since POST revealed their poor working conditions, the management has only gone so far as to provide them with an empty room without a curtain for any privacy and they are embarrassed by the men who peep at them through the uncurtained big windows.

The women complains that this room is too small and for all of them to use it is useless since they have to go and carry water in buckets from the tap of the only washbasin in a dilapidated lavatory in the yard.

They said they keep their clothing and personal belongings under a shed in the yard as there are no lockers.

Women workers washing themselves after a hard day's collecting of dirty waste paper at Lyons Cartage Company in Industria.
Huletts gets all Hypack

By ELIZABETH ROUSE

HULETT Corporation has announced an R11-million internal deal whereby Hypack Products will become a wholly owned subsidiary of Huletts Investments.

Huletts Investments, which holds 49% of Hypack, will acquire the rest of the share capital from S & T Investments (Pty), the holding company of Huletts.

The acquisition will be satisfied by the issue to S & T of 2,390,000 Huletts shares. Based on Huletts market price of 498c on December 7, the date on which the proposal was submitted to S & T, the price put on the deal is R11,040,000.

If the proposal is approved, Huletts will enjoy the benefit of the profits of Hypack from April 1, 1979, except for the interim dividend of R276,000 for the year to March 1980, which will be paid by Hypack to S & T.

Hypack’s taxed profit for the year to March 1980 is estimated at R2,622,000.

The Huletts ordinary shares to be issued to S & T will not rank for the Huletts interim dividend of 12c to be paid in February 1980, but they will participate in the final dividend.

Hypack makes paper sacks, bales and bags for use in the sugar industry and for industry in general at Rosettenville, Durban. The constitution of Hypack as a wholly owned subsidiary of Huletts will expand the group’s interests in the packaging field and facilitate development of this division.

Consolidation of Hypack in Huletts results for the current year will have an insignificant effect on earnings calculated on the historic cost basis but will increase marginally earnings calculated on the replacement value basis.

Huletts net asset value of 315c a share, determined on historic cost, will be reduced by about 3.5c and its net asset value of 693c on a replacement value basis, by about 4.6c a share.

Huletts shares rose by 50c to 550c yesterday.
MANU F. Paper
1-1-80 - 31-12-80
Concern over paper rise

By Pieter de Vos

There is concern over the 20 percent rise in the price of printed matter and paperboard packaging since the end of last year.

The ripple effect could push up prices over a broad front — from breakfast cereals to cigarette cartons to books, magazines, letterheads, company statements and brochures.

South African Board Mills — a major manufacturer of products widely used in the packaging industry — has announced price increases of between 14 and 15 percent for their range of products from January.

Sappi Fine Papers and Mondi Paper Company have also recently advised price increases averaging about 14 percent on the various paper grades manufactured by their mills.

These price rises are added on to a 5 percent rise in paper merchants' prices over a wide range of materials. It was claimed that the merchants had to push up their prices because the mills changed their rebate structures.

The Printing and Allied Industries Federation, however, is seriously concerned about the rises which are, according to Mr Jim Vivian, president of the Southern Transvaal branch, out of line with last year's rises of about 12 percent.

The federation does not want to appear to be "climbing in on a boom period," he says.

The federation hopes that its members will contain further price rises this year, he says, but there is no guarantee that they will.
Improved prospects

Bright prospects for the packaging industry, Premier Paper’s main customer, together with this month’s paper price hike, should help the company better its first-half profit improvement. In the six months to end-December, Premier increased its earnings by 7.5% to 62c.

However, this masks a 27.5% attributable profit increase to R1.1m (R92 000), the erosion being due to a rise in the number of shares in issue to 1.6m (1.3m). Turnover increased 16.0% to R11.3m (R9.5m).

The comparative earnings figure has been adjusted to take account of Harva’s contribution, which was limited to dividends at the beginning of last year when it ceased to be a subsidiary. In the previous period, earnings amounted to 66c if Harva was consolidated.

As promised, Premier paid a 30c interim, and it appears that a second interim of that order could be paid. This will probably be followed by a 50c tier before the end of the year. To give the new September-year-end following Harva’s incorporation of a controlling interest.

Assuming that profit growth improves and the company decides to maintain a 3.5 times cover due to its capex programme, earnings in the current six months could be around 70c, implying a not unreasonable 37% attributable profit improvement.

During the remainder of the year, Nampak could broaden Premier’s market and rationalise its operations. But any criticism that Nampak, as a consumer, could call the shots regarding Premier’s pricing seems unfounded. Premier is still operating autonomously, with essentially the same board and management. As it is, demand for packaging paper should put pressure on suppliers to raise prices.

Another advantage of the takeover is that Nampak will be better able to cope with increased capex at Premier, which will probably need to replace and even add to existing capacity. To this end, several new extruders are to be installed at the Parys and Beaufort mills.

* * *
Kohler's huge new Epping factory

CONSTRUCTION has started at Epping on Kohler Brothers' new corrugated container factory, which will be among the most advanced of its kind in the world when it goes into production later this year.

The factory is being built at a cost of R5.6m, of which more than half is being spent on a corrugated board manufacturing machine which will be unique in the southern hemisphere and one of only a few in the world.

The machine, an R2 fingerless single facer, is a high speed production unit which is also capable of lowering glue and speed consumption while increasing the physical strength of the containers.

The machine can be run at maximum speed regardless of paper quality or flute type, which means that it will be able to convert waste grade paper into board in an efficient manner.

This feature is expected to prove particularly useful when Sappi's proposed waste mill in the Cape comes into production.

The new factory will cover an area of 14,600 sq m under roof on a site adjacent to Kohler's existing Genpak factory in Epping Industria.

The new complex will also include a three-storey office and services block.

Other features of the production process, which is computer-controlled throughout, are a new method of reel stacking by overhead crane which will save space and improve productivity; a double-facer with a variable weight control system which eliminates the warp problem in the manufacture of board and a powered accumulator conveyor system which has been specially designed for the plant.

The Cape factory forms part of a R18m capital expenditure programme recently announced by the Kohler group.
Nampak gets 51 pc of Prem Paper

By Jean Moon

With some help from African Finance Corporation (AFC), Nampak now holds a 51 percent stake of Premier Paper.

To gain control, Nampak bid for 834,000 shares of Premier (51 percent) and received acceptances totaling 704,000 (43.1 percent).

A further 84,000 shares were tendered and all tenders have been accepted.

Nampak also made a bid for 51 percent of Premier's 11.3 percent preference to ensure that it retained control after the conversion.

Out of a total of 1.03m of these preference shares in issue acceptances totaling 898,000 was received. A further 26,000 were tendered and accepted by Nampak, bringing the holding of the preference to 61 percent.

Once the conversion has taken place in June 1982 or June 1983 Nampak's holding will increase from 51 percent to 53 percent.
A’tishoo, a’tishoo

Rationalisation of the R300m a-year tissue paper market won’t be welcomed by consumers who will have to brace themselves for a round of price increases. This month’s takeover of Premier Paper by Nampak puts 96% of the market into the hands of two giants: Barlow Rand’s Nampak and Union Corporation’s Carlton Paper.

The market currently totals 50,000 t a year. Toilet rolls make up 40,000 t, facial tissues 4,000 t, and paper towels and industrial tissue the rest. Over and above this, about 6,000 t of paper for fruit wrapping is produced each year.

Nampak pushed up its market share to about 50% when it engulfed Premier Paper, and now seems to have reached a point of accommodation with Carlton, which holds 65%. Says Nampak MD Ray White: “The whole industry is still recovering from the murderous situation of the past few years, and we will soon start increasing prices to catch up with the cost increases we have absorbed.”

Barlow started in the tissue business in 1972 when it bought Cosmos, a small independent. It later bought Nampak and API, and merged the tissue operations of these two companies with Cosmos, under the Nampak umbrella.

Barlow’s attack on the market could not have come at a worse time for Carlton and the small companies in it. Consumption was hardly growing because the recession had just started, and a number of newly commissioned tissue paper mills, costing around R20m apiece, provided an annual production capacity of 94,000 t in a market which consumed less than 50,000 t.

In the seven hard years that followed, Barlow’s cut the small operators’ market share from 10% to 5% and Carlton’s from 90% to 65%.

According to Keith Partridge, MD of Carlton, Barlow’s was given a boost when the big retail chains demanded to stock its products as a check to the power of the almost-monopolistic Carlton.

Another factor in Barlow’s favour was that it did not own a paper mill. This allowed it to shop around for the best prices from the mills of its competitors which were desperate to cut one another’s throats for volume sales.

Over the past five years, Carlton’s profits have stagnated, but Partridge is optimistic for the future in spite of Nampak’s gains. “We are now exporting all our surplus capacity,” he says, “and have to a large extent made up for our losses in tissue sales with sales of paper plates and aluminium foil, and new products such as feminine protection products, diapers and industrial tissue products. Besides, although our total tonnage sales of tissue paper dropped, we shifted emphasis to more profitable tissue lines.”

Partridge seeks the chance for more profits for both companies now that unprofitable companies have been pushed out of business. Says he: “When you have four companies in the market and two are not making profits, the market is spoiled. When there are only two in the market and they both want to make profits, there are no wild cards in the pack.”

Words like these raise the suspicion of collusion between the two giants. But Partridge says: “Our American shareholder would go to jail if it ever came out that we were fixing prices. Besides, with only about 5% of the country’s 25m people using tissue products, we are less interested in fixing prices than making the market grow.”

Before 1973, the market grew at 10% a year in volume, but since then, when the market reached 41,000 t, growth rate was between 2% and 3% a year. This is due partly to the introduction of new, stronger lightweight paper, but mainly to economic conditions, which caused a real drop in sales of facial tissues.

“Now that the economy has improved, we will concentrate on winning back the lost facial tissue users and developing the black market which is almost untouched,” says Partridge. He is not giving away marketing plans for his main brands, Kleenex and Carlton, but is clearly sceptical of the advertising campaigns, based on an economy appeal, for Nampak’s Twin Savers and Jumbo 700.

Despite this, Partridge acknowledges the close relationship between sales and disposable income, and refers to the setback in the development of the black market during the recession. “When times are hard,” he says, “it seems a waste of money to buy a toilet roll when you wouldn’t rather have a packet of cigarettes.”
Sappi Ltd will spend R500m over the next five years to modernise and improve facilities, chairman Ted Pavitt said in the annual report.

He said Sappi has reviewed and updated its corporate strategic plan which covers a 10-year period, and it highlights substantial opportunities for the group flowing from its expectation that per capita paper consumption will rise faster than South Africa’s gross domestic product.

Mr Pavitt said spending will include installing two new paper machines, one for fine papers and the other for craft papers, and substantially increasing pulpmaking capacity.

The objective is to optimise the return on trees used by the group, and feasibility of erecting high speed sawmills next to pulp mills, plus extracting additional by-product chemicals from pulping processes is being examined, he said.

Products thus obtained will be aimed at local and export markets, and initial indications are that such investments will be highly profitable, he added.

Mr Pavitt said South Africa’s economic upswing is expected to continue through 1980, and accordingly improved profits are expected.
## Table 2.4.3: Die Strukt

<table>
<thead>
<tr>
<th>Sektor</th>
<th>% Van Sektor</th>
<th>Total</th>
<th>% Van Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>332 Klerksd.</td>
<td>6.6</td>
<td>15.5</td>
<td>6.6</td>
<td>15.5</td>
</tr>
<tr>
<td>331 Voedel</td>
<td>6.1</td>
<td>15.6</td>
<td>6.1</td>
<td>15.6</td>
</tr>
<tr>
<td>000 Hoornveen</td>
<td>4.6</td>
<td>11.7</td>
<td>4.6</td>
<td>11.7</td>
</tr>
<tr>
<td>333 Papierind.</td>
<td>7.2</td>
<td>18.1</td>
<td>7.2</td>
<td>18.1</td>
</tr>
<tr>
<td>334文字</td>
<td>5.0</td>
<td>12.8</td>
<td>5.0</td>
<td>12.8</td>
</tr>
<tr>
<td>335 Futurism &amp; Tek.</td>
<td>6.5</td>
<td>16.5</td>
<td>6.5</td>
<td>16.5</td>
</tr>
<tr>
<td>336 Plastic</td>
<td>5.1</td>
<td>13.1</td>
<td>5.1</td>
<td>13.1</td>
</tr>
<tr>
<td>337 het-werk.</td>
<td>6.6</td>
<td>17.3</td>
<td>6.6</td>
<td>17.3</td>
</tr>
<tr>
<td>338 Boek</td>
<td>6.6</td>
<td>17.3</td>
<td>6.6</td>
<td>17.3</td>
</tr>
<tr>
<td>339 Wetenschap, bouwk.</td>
<td>4.6</td>
<td>12.2</td>
<td>4.6</td>
<td>12.2</td>
</tr>
<tr>
<td>340 Buitenland</td>
<td>4.6</td>
<td>12.2</td>
<td>4.6</td>
<td>12.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.3</strong></td>
<td><strong>58.5</strong></td>
<td><strong>22.3</strong></td>
<td><strong>58.5</strong></td>
</tr>
</tbody>
</table>

---

### Mondi Paper's earnings up 99 pc

Deputy Financial Editor

Mondi Paper, which maintained exports at approximately $40 million during 1973 and increased earnings for the year by 99 percent to $22.0 million.

A fourth paper machine expected to come on stream in 1974 and a fifth has been planned for startup in mid-1981.

Mondi will then become one of the biggest single mill complexes in the world, with an annual production capacity of some 150,000 to 500,000 tons of paper product. It is expected that Mondi's performance will improve further in 1980.

South African Board Mills increased its net earnings by 110 percent over the previous year as a result of improved prices for many of its products and because of operating efficiencies.

Higher earnings are forecast for 1980. Amic sold its 2.9 percent interest in Romatec during the year.

South African Forest Investments experienced a substantial profit turnaround from the loss of $975,000 in 1978 to profit of $15.9 million in 1979 following a recovery in demand for timber products and an improvement in selling prices.

### Timber exports

Timber exports contributed to stability in the industry and exports for the Sahib group of 81,000 cubic meters of timber represented approximately 60 percent of total estimated South African 1973 timber exports.

Sahib continues to experience a strong market for its timber products and this, together with increased prices and further improvements in operating efficiencies, should result in higher earnings in 1980.
Target returns

Activities: Integrated forests products group manufacturing and selling pulp and paper products. Owns 87,000 ha of forestry land in Natal and the Eastern Transvaal. Owns Stanger Pulp & Paper and 39% of Carlton Paper which is consolidated. Union Corporation holds 50% of the equity.

Chairman: E Pavitt; managing director E van As.

Capital structure: 28.9m ordinary shares of R1. Market capitalisation: R188.3m.


Borrowings: long- and medium-term, R59.3m; net short-term, R15.5m. Debt/equity ratio: 43.3%. Current ratio: 1.3. Cash flow: R30.6m. Capital commitments: R29.7m.

Share market: Price: 650c (1978-79: high, 850c; low, 255c; trading value last quarter, 331,000 shares). Yields: 14.0% on earnings; 5.5% on dividend.

Cover: 2.5; PE ratio: 7.2.

After four years of disappointing profits and declining returns, Sappi seems to be firmly back on the road to increasing profitability. Last year pre-tax profits advanced 57.3% to R31.1m (R19.7m) while earnings rose 78% to 90.7c (51.1c) and the dividend total was 36c (22c). Judging by the group’s targets for 1980 and chairman Ted Pavitt’s annual statement, shareholders should have no cause for complaint this year. Buoyant demand is expected to continue, and with the gradual elimination of the technical hitches at the Enstra mill, and expansion at Tugela, a further dividend advance is on the cards.

The profit advance arose largely from improved efficiency in a more buoyant market. The problems which plagued the new expansions at the Enstra mill are now all but overcome, and by end-1980 planned full output is expected. And now the new digester has been commissioned along with rising output at Tugela, Sappi expects to increase its output at its kraft and fine paper divisions.

Other bull points for 1980 are the acquisition of Stanger Pulp & Paper, acquired from Reed Finance in 1979. Stanger’s results were only consolidated for seven months of the year, but Sappi “was delighted” with its R2.5m operating profit, says Pavitt.

This company has been incorporated into Sappi Fine Papers, and, besides the operating profit contribution, had a favourable impact on group tax last year. Stanger was the major reason why Sappi returned only 12% (11%) on total assets compared with a target of 18% of 20%.

The inclusion of the total book value of assets and only seven months income adversely affected this annual return ratio. As a result Sappi has revised its target date to 1984 when a 20% yield is anticipated.

Sappi had also set a target return on shareholders’ funds of 20% over the three years to end-1981. But with the tax benefits flowing not only from Stanger’s previous assessed losses but also the significant capex programme, after-tax profit advanced more strongly than pre-tax earnings. The resultant return on equity was 18% (16%) and this year 20% is expected.

Future developments include the coming on-stream in mid-1981 of the new waste-paper mill in Cape Town for which R15m capex is still to be spent as part of the R30m in the book at end-1979. As with other Sappi expansion plans, the minimum return required is a 15% discounted cash flow return on assets. Pavitt says this mill should meet group return criteria in its second full year of operation. To meet its raw material needs Sappi recently acquired a Cape Town waste-paper company, Herby Taylor.

Longer-term Sappi expects the per capita consumption of paper will rise faster than the growth in GDP. Thus the group’s 10-year plan has pinpointed opportunities expected to arise, and as a result R500m has been earmarked for capex over the next five years to modernise and improve facilities. This will include installing two new paper machines—one for fine papers and one for kraft—and substantially increasing pulping capacity. Pavitt says the improvement in cash flow before capex and dividends should continue, so financing these plans should not present a problem within Sappi’s 50% debt/equity target. Last year’s stated debt/equity ratio was within this ceiling at 38%.

Last year total borrowings increased to R77.9m (R52.2m) reflecting Sappi Pulp & Paper’s R19m borrowings, excluding redeemable pref. At end-December Sappi had R19.3m in cash and on call with subsidiaries, which will be used in 1980 on the capex programme. There will also be further emphasis on lease finance (included in borrowings) because of the tax benefits. A R13m lease was used to finance the digester for the Tugela mill at an effective rate of 0.5% a year, according to the directors.

Carlton paper (39%-owned) reported a 7% increase in earnings for the year. However, chairman Basil Landau expects “meaningful” growth in markets served by the company, including the benefits from continued exports to Europe. Performance for the first two months of Carlton’s year is ahead of budgets.

In the past year the Sappi share price has more than doubled to 650c to yield an historic 5.5%. Another hike to 30% in the return on equity promises earnings growth based on an opening net worth of 10%, which, though highly conservative on the prospective nav for the current year, would suggest a payout of at least 40c for a minimum prospective yield of 6.2%. At its current price Sappi does not appear to have fully discounted earnings growth in the next few years.

Des Kilala
cash flow: R3.4. Capital commitments: R1.1m.
Share market: Price: 270c. (1979-80: high, 275c; low, 150c: trading volume last quarter, 112 000 shares). Yields: 10.4% on earnings; 5.9 on dividend.

<table>
<thead>
<tr>
<th></th>
<th>'76</th>
<th>'77</th>
<th>'78</th>
<th>'79</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap %</td>
<td>21.7</td>
<td>20.0</td>
<td>25.4</td>
<td>25.5</td>
</tr>
<tr>
<td>Turnover (Rml)</td>
<td>43.0</td>
<td>51.3</td>
<td>53.8</td>
<td>58.6</td>
</tr>
<tr>
<td>Gross profits (Rml)</td>
<td>7.0</td>
<td>7.8</td>
<td>7.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>14.1</td>
<td>11.0</td>
<td>14.5</td>
<td>12.8</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>28.5</td>
<td>16.8</td>
<td>27.3</td>
<td>28.2</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>11</td>
<td>11</td>
<td>13</td>
<td>16</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>103</td>
<td>109</td>
<td>122</td>
<td>134</td>
</tr>
</tbody>
</table>

* Losses capitalised from 1978.

Of all the Union Corp paper and packaging companies Carlton Paper was by far the worst performer last year, reporting a pre-tax profit advance of only 1.2% to R6.9m (R6.8m). However, this year chairman Basil Landau says the acceleration in 1979 second-half earnings and the above-budget performance in the first two months of the current year augur well for 1980.

First-half earnings fell 16.9% to 11,8c (14.2c) as consumer spending lagged expectations. The decrease was partly a reflection of the higher 1978 results which were boosted by pre-get purchases. In the last quarter of 1979 sales picked up "considerably" leading to an overall 3.3% rise in earnings to 20.2c (27.3c).

Landau explains that much of the 9% turnover increase to R85.6m (R55.8m) resulted from the company's export contracts to Europe. These contracts reduced the average tax rate to 35.5% (39%) which helped earnings grow faster than pre-tax profit. With costs increasing and a lower interest charge the gross margin fell last year.

The lower interest R65.7m (R99.9m) bill follows reduced total borrowings of
Sappi’s profit outlook bright

THE upturn which occurred in the second half of the year resulted in increased demand for all of Sappi’s products, ensuring near full capacity operations at all mills, Mr F Hewitt says in the company’s annual report.

In his chairman’s statement, Mr Hewitt says “it is expected that these conditions will carry through 1999, and that the company can accordingly look forward to another year of improved profits.”

“We will strive to further improve the return on shareholders’ funds as we make progress towards achieving our longer-term objective of at least a 20% return on fixed assets.”

However, the continued high rate of inflation remains a cause for concern and as counter-measures, we shall remain vigilant in controlling costs and continue to improve the productivity and skills of our people,” Mr Hewitt says.
Capacity boosts

Activities: Supplier of paper, machinery and allied materials to the printing industry. Union Corporation controls 53% of the equity.

Chairman: H A Smith; managing director: P A McCurk.

Capital structure: 2.8m ordinary shares of 50c; 90 000 6% cum red prefs of R2. Market capitalisation: R13,4m.


Share market: Price: 480c (1979-80: high, 480c; low, 280c; trading volume last quarter, 6 000 shares). Yields: 19.0% on earnings; 7.3% on dividend. Cover: 2.6. PE ratio: 5.3.

Evelyn Hadden's return to profit growth after the 1976 decline seems well-based. Last year, earnings grew 38.7% to 91.1c (85.7c) and for the current year chairman Hugh Smith expects another advance as the company moves to a greater asset utilisation, and prepares for further expansion.

Last year's 50.3% turnover increase followed strong demand for all the company's products. Smith says the paper division was "extremely busy" and more than justified the expansion in warehouse facilities. And the machinery division continued to reap the benefits of modernisation and expansion in the printing industry, receiving substantial orders for new equipment.

Subsidiary Nacional & Skryfhoefste maintained its dividend last year, but Mander Kidd again reported lower earnings and paid a smaller dividend. This company makes printers' inks and Smith says it operated in a "highly competitive" market.

The higher turnover was accompanied by an improvement in operating margins. Smith says expenses rose sharply in line with the increased volume of business and inflation. Even so, operating profit increased faster than turnover by 48.7% to R4.9m (R2.9m). This year, as better use is made of new warehousing facilities, margins could improve again. Last year, the Springfield warehouse was completed and extensions to the Bloemfontein property were occupied in mid-year. An R86 000 warehouse was acquired in Pietermaritzburg while surplus land was sold in Salisbury for R37 000.

This year extensions are planned at the Cape Town and East London branches to "cope with higher volumes", says Smith, though there are no capital commitments yet. Recently the company was appointed agent for Goss printing equipment.

Last year's dividend cover increased to 2.7 (2.4) to fund additional working capital requirements needed for the anticipated higher level of business.

The higher level of activity led to increased borrowings of R10.6m (R6.7m), of which 55% (48%) was short-term. The annual interest/bearing bill was, however, covered a comfortable 6.4 times by gross profit. Since the year-end, R5m in 11.75% unsecured notes have been issued to convert part of the company's short-term loans into longer-term borrowings.

With an improving outlook for the printing and paper industries, at 490c the share is a good medium-term income buy.
Deur FRANZ ALBRECHT

REED INTERNATIONAL se onttrekking van sy destyds meer as R150 miljoen se belange in Suid-Afrika — wat 'n paar jaar gelede begin het — is onlangs voltooi. Sy laaste noemenswaardige plaaslike belang — die van Spiecsers — is sowat 'n maand gelede aan Barlow Rand verkop.

Spiecsers is handelaars in papier en grafiese materiaal. Met hierdie transaksie het Reed International van Brittanje die wereldwye onttrekking van sy oorsee se belange afgehandel.

In Australië is belange met 'n veel groter waarde as die in Suid-Afrika verkop. Die oorgrote meerderheid van sy Kanadese belange is ook in die afgelope paar jaar verkop.

Hoewel Reed International hom nou uit Suid-Afrika onttrek het, sal die groep se nuurpapierproduktiewe — wat 'n vername aset in Suid-Afrika ge-niet — steeds aan plaaslike handelaars beskikbaar gestel word.

Die Suid-Afrikaanse belange wat in die afgelope paar jaar van die hand gesit is, sluit in vername maatskappye soos Nam-pak, Pipekor, Stanger Pulp and Paper, Twyfords, Reed Stationary, Reed Insulation, Tension Envelope Company, Palladium Stationers en Spiecsers.

Die rede waarom Reed International van sy oorsee se belange ontlae ge-raak het, is omdat die moedermaatskappy 'n paar jaar gelede geweldige probleme met sy skuldigheid ondervind het. Om enigsins die rente op en die terugbetaling van sy skulde te kon finansier, was hulle verplicht om kontant te bekom.

Die onttrekking van sy beleggings het die gewende uitwerking gehad en tans is die moedermaatskappy se balans staat baie gesond. Al wat van Reed in Suid-Afrika sorgslik het, is 'n paar cc per jaar.

In Durban se dagbladpresse staan die boodskap dat hul rubriekbedryf in Suid-Afrika — Reed Finance en Reed-korporasies — op die ene dag seur en by voortbestaan nie. Tans is al hul bedrywighede uitverkocht en bestaan daar geen doel in om hulle te behou nie.

Die destyds plaaslike hoof-doeningsbeampte van Reed International, mnr. Bas Kardol, is reeds in die Fansie te Durban, saak-wêreld ingeburger. Hy is voorstel van Nampak — die grootste enkele belang destand van Reed in Suid-Afrika, wat ook aan Barlow Rand verkop is — en hy is onlangs as 'n uitvoerende directeur van Barlow Rand aangestel.

Mnr. Kardol het wortel in Suid-Afrika geskiet sinds hy in 1977 deur Reed International gevra is om hul belange in Suid-Afrika te behartig. Hy was vroeër tien jaar lank aan die meubel- en muziekinstrumentbedryf in Suid-Afrika verbonden.
Walton's raises final

WALTON'S Stationery increased taxed attributable profit by 49% in the year to February 29 from R1 005 000 to R1 500 000.

An increase in the issued shares, however, diluted the rise in earnings to 37% from 40.9c to 55.9c.

The final dividend has been raised from R1c to 15c to give a total of 25c (21c).

The directors say the dividend cover has been increased from 1.9 to 2.2 because of inflation and that unless there is no material reduction in the inflation threat, cover will have to be further increased.

Turnover was up from R12-million to R25-million.

The directors say the year was "one of satisfactory progress in all aspects." They expect further dividend increases this year even with the higher cover policy.

COMMENT. At yesterday's 72c sellers' price Walton's Stationery shares yield an appealing 21.5% on earnings and 9.6% on dividend.

The share seems to have suffered from its fringe association with the info scandal - it has changed its name from Horton's Walton - but now that all that is out of the way it could be rated by the market.
Nampak full of punch

Financial Editor
NAMPACK, the packaging group in the Barlow Rand stable, has increased taxed attributable profit by 34% from R11 901 000 to R15 955 000 for the six months to March 31.
The interim dividend has been raised from 18c to 21c.
Earnings a share, on slightly increased capital, are up from 43.0c to 57c.

Turnover rose from R116-million to R155-million.
The chairman, Mr Basil Kar
dol, says: “These very satisfac
tory results were achieved de
spite increased competition and non-recurring costs arising from the further rationalisation of a number of the group’s operations.

“Trading conditions re
mained buoyant throughout the period in line with the general upswing in the economy.”

On prospects he says: “The group’s efforts to rationalise manufacturing facilities in vari
ous sectors to improve effi
ciency are continuing.

“Certain rationalisation pro
grammes have been successful
ly concluded and positive bene
fits have already emerged from the rationalised operations.

“These factors, together with the expected continuation of fa
vourable trading conditions should place the group in a
position to achieve better re
sults during the second half of the financial year than those recorded for the same period last year.”
Sappi heads for record

SAPPi would achieve a material increase on 1979's record earnings of R6c a share, said the chairman, Mr Ted Pavitt, at the annual meeting in Johannesburg yesterday.

Sales and profits were on target for the first quarter of the financial year that started in January, and demand for group products was at record levels, Mr Pavitt said. Order books were full.

Operational efficiency continued to improve at the Enstra mill, and operating profits were a record in March. The mill was expected to make a significant contribution to group profits this year.

"Due to drought conditions in Natal, growth of sugar cane is being seriously affected in some areas, and this is limiting the availability of bagasse - a by-product of sugar milling that is the main raw material for Stanger."

"Purchase of bagasse from other sugar mills is being negotiated, and storage facilities at Stanger are being enlarged to ensure that sufficient bagasse can be held in stock to see the plant through the period between sugar-milling seasons."

"The second effect of the drought is on the supply of water to Stanger mill from the Umvoti River. The installation of a cooling tower, which will halve the usage of water, is being undertaken as a matter of urgency. Commissioning is expected towards the end of this month, and will make the mill far less vulnerable to water shortages," Mr Pavitt said.

Commitments for capital expenditure on these and other projects at Stanger, amounting to more than R5 million this year alone, would help to ensure that customer expectations were met.

In the year ended December, turnover rose by 28% to R232 million and profits attributable to equity shareholders by 77% to R25 600 000. Earnings a share were up by 77% from 50,5c to 90,2c. This enabled the dividend total to be raised from 22c to 28c a share while increasing the dividend cover from 2.3 to 2.5 times.

Yesterday's forecast from Mr Pavitt confirms his annual report statement that shareholders "can look forward to another year of improved profits" in 1980. The report for the six months January to June will be published in August.
result, the interim dividend was raised to 21c (18c), and prospects are good for a final of at least 25c (22c), giving a 47c (35c) total.

First-half profit was stated after writing off the R1m costs for the major rationalisation in the Transvaal operation and during a period of increasing competition, says chairman Bas Kardol. The improved pre-tax profit margin of 17.3% (17%) resulted from a more favourable product mix, tight cost control, as well as the rationalisation and switch to a national product management structure.

Earnings for the period increased to 57.0c (43.8c) — a 30.1% rise — reflecting the increased number of shares in issue as well as minority charges for Premier Paper, of which Nampak acquired 51% last year. Since then 17% has been sold to Kohler at 700c a share as it was considered "expeditious" to allow a major Premier customer to gain an interest. Kardol says in the half-year Premier contributed only a small percentage of Nampak's results.

The 16.7% increase in the interim dividend to 21c (18c) for a 2.7 (2.4) times cover should not be taken as an indication the group intends reducing the percentage distribution in order to finance capex, says Kardol. He said in his last annual report that Nampak should pay a 2.5 times covered dividend, which aim has not changed. He believes there will be profit growth in the second half, and this is despite the substantial improvement in the comparable previous period.

At end-March, Nampak had capital commitments of R10.5m (R5.7m), and over the next two years R25m capex is planned for new and modernised equipment. Kardol says dividends will not be restrained as result of these commitments, and cover will remain around 2.5 times. Nampak had a debt:equity ratio of 12.6% at end-September 1979, which was "too low," says Kardol. "Our maximum debt:equity ratio is 50%," which offers great scope for financing expansion. In addition there is the dividend income from Premier to boost cash flow.

The second half should see a completion of Nampak's major rationalisation programmes in Durban and Port Elizabeth, where two factories in each centre will be consolidated under one roof, promising cost savings in the following year. Kardol says the non-recurring costs in this phase of the rationalisation should be less than in the Transvaal operation.

Demand growth of 5%-6% in real terms is expected this year and next, though raw material cost increases of up to 15% will have to be partially absorbed through increased productivity. Intense competition in most markets served by Nampak prevents all cost increases being passed on to customers. Besides the entry of Kohler to the multi-wall paper sack market, Nampak must cope with smaller opera-
INTERIM STATEMENT OF RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 1980

<table>
<thead>
<tr>
<th></th>
<th>Unaudited Year to 31 March 1980</th>
<th>Unaudited Year to 31 March 1979</th>
<th>Audited Year to 30 September 1979</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>154 676</td>
<td>115 622</td>
<td>233 987</td>
</tr>
<tr>
<td>Income before taxation</td>
<td>28 913</td>
<td>19 656</td>
<td>24 702</td>
</tr>
<tr>
<td>Taxation</td>
<td>9 797</td>
<td>7 666</td>
<td>18 427</td>
</tr>
<tr>
<td>Income after taxation</td>
<td>17 116</td>
<td>11 990</td>
<td>26 265</td>
</tr>
<tr>
<td>Attributable to ordinary shareholders</td>
<td>31</td>
<td>31</td>
<td>61</td>
</tr>
<tr>
<td>Number of ordinary shares on which earnings per share is based</td>
<td>27 887 793</td>
<td>27 140 994</td>
<td>27 228 389</td>
</tr>
<tr>
<td>Earnings per share (in cents)</td>
<td>1.0</td>
<td>0.43</td>
<td>1.03</td>
</tr>
<tr>
<td>Ordinary dividends – cents</td>
<td>0.2</td>
<td>0.24</td>
<td>0.30</td>
</tr>
<tr>
<td>Dividend cover</td>
<td>2.7</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Capital commitments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets – contracted</td>
<td>7 176</td>
<td>3 234</td>
<td>5 277</td>
</tr>
<tr>
<td>Shares in subsidiaries – approved</td>
<td>3 352</td>
<td>1 068</td>
<td>1 917</td>
</tr>
<tr>
<td>Shares in subsidiaries – approved</td>
<td>1 500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>10 530</td>
<td>5 722</td>
<td>7 194</td>
</tr>
</tbody>
</table>

This expenditure will be financed from internal resources and borrowings.

COMMENT

Review of results

The unaudited results for the six months ended 31 March 1980 reflect a significant improvement over those for the same period last year. Earnings attributable to ordinary shareholders rose by 33.6% while the earnings per ordinary share at 57.0 cents, represent an increase of 30.1% over the corresponding six month period last year. These very satisfactory results were achieved despite increased competition and non-recurring costs arising from the further rationalisation of a number of the group's operations.

Trading conditions remained buoyant throughout the period in line with the general upswing in the economy.

Acquisitions

Shareholders were advised of the transactions between Barlow Rand Limited and C.G. Smith & Company Limited, in terms of which Nampak has become a subsidiary of C.G. Smith & Company Limited. However, it was stressed that the transaction did not affect the shareholders of Nampak which will continue to be controlled by Barlow Rand Limited.

Capital expenditure

In line with the programmes of rationalisation and planned modernisation it is expected that the group will spend approximately R 50 million over the next two years to maintain its trading position in the market segments which it serves.

Future prospects

In the 1979 Chairman's Statement, reference was made to the change in Nampak's management structure from a regional to a product divisional structure. This new structure, geared for national management and marketing of the group's products, has resulted down exceptionally well. The group's efforts to rationalise manufacturing facilities in various sectors to improve efficiency and continuity. Certain rationalisation programmes have been successfully concluded, and positive benefits have already emerged from the rationalisation actions. These factors, together with the expected continuation of favourable trading conditions, should place the group in a position to achieve better results during the second half of the present financial year than those recorded for the same period last year.

Dividend

An interim ordinary dividend of 21 cents per share has been declared for the six months ended 31 March 1980. This dividend is 10.7% higher than the 18 cents per share interim dividend declared for the 6 months ended 31 March 1979.

On behalf of the board,
B. Iandel, Executive Chairman
A. B. Smit, Director
5 May 1980

DECLARATION OF INTERIM ORDINARY DIVIDEND NO. 23

NOTICE IS HEREBY GIVEN THAT an interim dividend of 21 cents per share has been declared and is payable to shareholders registered in the books of the company at the close of business on 6 June 1980. The ordinary share transfer register will not be closed for purposes of this dividend.

Cheques will be posted on or about 16 July 1980.
Non-resident shareholders' tax of the rate of 15% will be deducted from dividends payable to any shareholder whose address in the share register is outside the Republic.

By order of the board,
F. J. Franck, Group Secretary
Johannesburg
5 May 1980

Register Office
5 Gt Gordon Road
Parktown
(061)
(P.O. Box 109, Johannesburg, 2000)
Now — Kellerprinz in the box trend

By SIMON WILLSON
Industrial Reporter

AUSTRALIAN technology is still a large feature in Stellenbosch Farmers Wineries' newly-launched flagship in the boxed “cask” wines, Kellerprinz, which came on to the market recently.

The Kellerprinz range, which has already proved its worth in glass, will now be dispensed in five-litre totes from aluminium bags as the latest drink to be packaged in the increasingly popular “wine-in-a-box” form.

But the bags and the valves which dispense the wine are currently being imported from Australia, where the cardboard “cask” wine containers were first introduced about 12 years ago.

Amalgamated Packaging Industries (API) are importing the materials from a company in Western Australia, ACI Liquidator. At the moment all the materials are imported, but within two months API hopes to manufacture the bags in South Africa from imported materials.

Eventually the intention is for API to manufacture the valve in South Africa as well.

The valve is really the secret of the whole boxing operation. It was patented in the United States, and is named the Fat-tori valve. It has no moving parts, and dispenses the wine without allowing air into the bag.

SFW first went into boxed wines last year with the Autumn Harvest range, but this was regarded as a test run prior to the introduction of the more popular and market-proven Kellerprinz Tassenberg brands in boxes.

The boxed Tassenberg first hit the shops — without publicity — on May 1 and sold 65 000 litres on the Reef in two days, breaking the 100 000-litre mark after four days and breaching 200 000 litres in six.
Nampak's
R18.9m
deal

NAMPAK has bought all of Paper & Packaging Industries, of Pretoria, for R18 900 000. PPI, the last large privately owned packaging company in South Africa, manufactures corrugating papers, corrugated board and corrugated boxes at its Rosslyn plant from waste-paper.
Settlement will be by the issue of provisional renounceable letters of allotment for 2 500 000 Nampak shares at 770c each, the closing price of Nampak shares on April 30, the date agreement was reached.
The new shares will not qualify for the interim dividend payable to shareholders registered on June 6.
Because they want cash, the vendors have renounced their rights to the letters of allotment to C G Smith & Co, which holds 55.6% of Nampak. C G Smith has agreed to renounce 44.6% of the provisional allotment in favour of the other shareholders of Nampak.
Nampak minorities will be able to take up the new shares at 770c on the basis of nine new shares for every 100 shares they hold.
The acquisition of PPI and the issue of the shares is not expected to affect Nampak's earnings or net asset value.
Activities: Owns the CNA chain of retail stores. Main support activities are: property investment; magazine and book distribution; manufacture and sale of stationery products; marketing and retailing of data processing and electronic sound/visual equipment.

Chairman: L. F. A Slater; managing director: J A Mackness.

Capital structure: 3.37m ordinaries of 50c; 500 000 5% cum prefs of R2. Market capitalisation: R15.2m.


With retail price maintenance to be scrapped on books in July, CNA expects further earnings growth from the book sector. Coupled with the healthier outlook for its other operations with increased consumer spending, and the median-term profit picture looks particularly bright. But higher retentions could restrain near-term payments to shareholders.

Last year's 21% turnover increase, from R64.7m to R78.5m, resulted in a 56.8% growth in earnings. Since 1975, when the company discontinued the unprofitable CNA Electronics and CNA Publishing, margins have generally been on an upward curve. Central Data Systems, which was nursed through its 'sometimes troubled formative years' has been turned round and had a successful year with its newly introduced Prime computers. The better margins have thus resulted in earnings of 61.1c (62.5c). Even so, net return on shareholders' funds, at 17%, is low by industrial standards.

Turnover is expected to increase substantially this year if consumer spending is maintained. Last year 21 new stores were opened and a further 29 or so are planned for this year, ranging from 2 000 m² to 5 000 m². The group also acquired 10 speciality record and tape outlets in December, and moved into photographic services in conjunction with Kodak.

Cash reserves are currently low. Because 90% of the retail chain's sales are for cash, the company is not concerned with maintaining high cash reserves. But, with creditors twice the level of debtors, and R3m capital commitments to be financed from retained earnings, it is not surprising that dividend cover has been increased from 2.4 to 2.5. And, depending on earnings, the company would like to raise cover to three times this year.

At 45c, to yield an historic 7.4%, the share still has upside potential. Increased earnings could enable the dividend to eventually move up in line.
Although it may not seem so at first glance, Nampak is financing its R101.9m purchase of Pretoria-based Paper & Packaging Industries by what amounts to a 9-for-10 rights issue at 77c.

Officially, the consideration is 2.45m Nampak shares, but the vendors of PPI, the Ramondol family, are renouncing their rights in favour of C G Smith & Co. Smith in turn is renouncing his rights in the reconstituted rights of the Ramondol in respect of 14.6% of the shares to be issued in favour of Nampak minorities.

The effect, therefore, is of a rights issue underwritten by Smith, and if everyone follows their entitlements, the shareholding structure of Nampak will remain unchanged. But be the same token, it conceivably does not take up the additional shares, Smith could increase its stake in Nampak to about 59% from the present 53.4%.

Why the roundabout way of raising the funds? For a number of reasons: one is that the 77c issue price which is the same as the price on June 13, when the deal was concluded, is probably higher than would have been possible through a "normal" rights issue which would consequently have had to be larger. Even after the 10% share price rise to 87c since April, the 9.4% discount might be considered a little narrow.

Secondly, Smith was prepared to put up the full R101.9m purchase consideration in exchange for new Nampak shares, but it was accepted that this would not be fair to minorities who have accordingly been given the opportunity of maintaining their proportionate interest in the company.

Finally, there is a slight time advantage in this method compared with the normal schedule of a rights issue.

An amusing side-line to the deal is that Nampak sold back a 44.2% interest in PPI to the Ramondol family in 1976 for R3.1m - the present purchase price is effective

Nampak’s Kardol...tying up a supply base

by 165% more after allowing for the R400 000 in prefs which Nampak is also buying. The group is, however, happy with its purchase. A major benefit is that it is tying up supplies of strategic raw materials on a permanent basis, whereas the existing supply agreement with PPI was due to end this year.

Brian Thompson

Financial Mail May 30 1990
Malbak fires on all cylinders

By DAVID CARTE

Malbak, the light engineering division, 15%. Other contributions by division were: Malbak Motor Holdings 8%; Malco- mess 13%; and Group Services, boosted by PCI, 22%.

Malbak is firing on all cylinders pretty well for the first time since its creation and things look bright for all divisions in the immediate future. It is a tightly run, conservative operation, which should do even better than it already has. At 30c the tightly held shares yield 6% on the new dividend, which is attractive.

There seems little danger that even in an acquisitive climate such as this that a predator will move in on Malbak. Most of the shares are scattered among a number of heavyweight institutions.
Paper mill workers go on strike

Staff Reporters

Black workers at Premier Paper's Klip River mill went on strike this morning, demanding more pay.

Work was resumed shortly before noon after management had told workers that it would reply to their demand on Friday.

One worker said none of the several hundred blacks employed by the mill went to work this morning.

The minimum wage was given variously as R28 to R29 or about R30.

A company spokesman said senior management of Premier Paper had been sent to the mill to establish the cause of the problems.
Malbak hopes to beat profit record

MALBAK is confident of achieving further earnings growth in the 1980-1981 year, says the group managing director, Mr Grant Thomas, in the annual report.

"Stimulated by exceptional gold sales, abundant liquidity and a growth-encouraging Budget, the business climate in South Africa seems fortunately to be out of step with major Western economies and there appear to be adequate reasons to anticipate that favourable conditions will prevail throughout the forthcoming year. All group divisions should benefit from a year of above-average growth."

Having produced record earnings of 83.4c a share in the year to March, the growth target for this year may well be substantially above the historical average of 17.2% compound rate achieved since the group was formed 12 years ago.

If a 20% improvement can be achieved, earnings will rise to almost 61c a share and a total dividend of 22c would be possible without disturbing the near 2.0 times cover of last year.

One of the past year's features was the 29.8% return on ordinary shareholders' funds. This was a 39% improvement on the 17.7% return of the previous year.

Although margins within certain group operations came under pressure, the 28.2% rise in turnover to R138-million was not the sole influencing factor in the pre-tax profit rise of 58.2%.

Central to the improvement in the position this year was the part played by recent acquisitions, PCI and Maccabee.

Other significant features of the accounts include the improvement in net asset value from 29.6c to 30c and the intact 48.3% ratio of shareholders' funds to total assets in spite of a year's cash-funded acquisitions.

Of the five major divisions - all of which are autonomously managed and financed - Bakke remained the single largest source of profit, contributing 42% of the net total. This packaging, plastic products and mining supplies division achieved the same profit as last year in spite of higher raw material costs and the greater than expected costs associated with rationalising its two injection moulding companies.

There are signs that material costs in the current year will level out and there is little likelihood of supply problems.

Maccabee, which became a wholly owned subsidiary and which is now the light-engineering division, accounted for 15% of the profit total. The contribution - representing 7.5c a Malbak share - arises from earnings for only nine months.

so the current year will be the first in which a full contribution is recorded.

The motor retailing division, Malbak Motor Holdings, was influenced by a difficult trading climate, particularly in the first half of the year and thus contributed only 8% of the total profit.

Stemming from higher petrol costs and speed restrictions, the structure of the division was reappraised, resulting in the absorption of certain one-off costs associated with the closing of several outlets.

The slimmer operation, coupled with expected benefits to flow from the integration of the BMW franchise in the Free State last year, should result in more acceptable profit levels in the current year.

Malcomms, the farm machinery division, showed a strong recovery from 1979's profit slump and made up 13% of the total 1980 profits.

Certain administrative problems within the division remain to be overcome, but favourable trading conditions are expected to continue throughout the current year.

Group services, embracing the recently acquired process control instrumentation, contributed the 22% balance of total profits.

PCI's profits surpassed budget and the company's advantageous position in the instrumentation industry should allow for further operational developments and profit growth.

Malbak's pre-tax profit rose to a record R110 000 (R8 500 000) and net profit attributable to ordinary shareholders totalled nearly R5 300 000 (R13 500 000). Earnings a share were 58.4c (33.5c) and a total dividend of 18c (13.5c) was paid.
Johannesburg — Black workers at Premier Paper’s Klip River mill downed tools yesterday morning to demand more pay.

Work was resumed shortly before noon after management had told workers that it would reply to their demand on Friday. One worker said some of the several hundred blacks employed by the mill went to work this morning.

Another estimated that about 400 blacks were employed at the mill. The minimum wage was given variously as R28 and about R30.

A company spokesman said senior management at Premier Paper had been sent to the mill to establish the cause of the problems.

The spokesman was not able to say when the strike started or how many workers were involved. — Sapa
Kohler lifts interim to 35c

BY DAVID GALLEY

Kohler's earnings, after increasing 8% in the six months to the end of June, Kohler forecast "very satisfactory" interim results.

Kohler posted up sales 29% to $80 million, pre-tax profit after tax 30% to $9,634,000 and attributable profit 21% to $9.6 million in the first half and boosted earnings a share 31% to 31.7c. The interim dividend has been raised from 27c to 35c.

Profits are stated after adjusting for the FIFO method of stock valuation, which reduces stated profits, but raises tax and enhances cash flow.

The good results, in spite of "tenser competition", are attributed to "higher sales resulting from a continued improvement in business conditions and further benefits from improved productivity".

Most of Kohler's packaging is used for foodstuffs and household products, which are less cyclical than semi-durables, such as clothing.

While it is still big in corrugated containers, this low margin, low technology type of packaging is not its mainstay. Kohler is big in plastic bottles and Bebeferm has virtually cornered the market for credit card and computer forms — all high growth areas today.

Packaging tends to outstrip gross domestic product and is highly geared to consumer spending, which should boom in the second half. The group's interim dividend, despite a $10 million capital expenditure programme, suggests that Kohler expects to be even further ahead at the end of the year.

Earnings growth of 47% by the year-end could not be surprising and given Kohler's almost excessively liquid position, dividend cover seems unlikely to change.

This suggests earnings of $1c a share and a dividend of 35c, giving a most attractive prospective yield of 9.5%.
Paper firm raises pay

The minimum wage of about 340 black workers at the Premier Paper Mill at Klip River, near Alberton, has been increased by 15 percent to 90c an hour after Monday's strike. This was confirmed today by a company spokesman. He said the lowest paid workers were getting increases of 12c an hour and higher paid ones increased by 15c an hour — effective from July 1.

Most of the firm's black staff was involved in Monday's stoppage which ended when strikers were told that management would reply to their demands for more pay by today. The announcement of the increases came yesterday and work proceeded as usual.
Carlcor lifts interim dividend

By HAROLD FRIDJON

The interim dividend of Carl-
ten Paper Corporation for the
six months to June 1980 has
been raised from 6c a share to
11c as earnings a share have
risen from 11,5c to 29,6c.
For the year to December
1980 earnings a share were
23,2c and dividends amounted
to 12c.

Sales for the first half of the
current financial year have
rocketed; they have grown
from R25-million in the first six
months of last year to
R33,6-million. In the second half
of last year, the turnover was
R29,5-million so the improvement
which started in the second half
of last year is continuing.

Taxed profit is 73% higher at
R3,240,000. The tax rate dropped
from 33% to 25% as a result of
export incentives and increased
capital expenditure.

The chairman, Mr Basil Landau,
tells shareholders in the
interim report that the board is
confident of a continued im-
provement in performance.

"The long-awaited improve-
ment in consumer spending has
commenced and we anticipate
that this will continue through
the balance of 1980. The export
orders...will also continue
through the remainder of the
year at the same level as in the
first half."

Carlcor is a leading producer
of disposable tissue products,
such as toilet tissue, facial tis-
sue and roller towels."
KOHLER

Productivity gains

In line with Kohler’s diversification strategy within the packaging and printing industry, a 17% stake in major raw-material supplier Premier Paper was acquired in the half-year to June 1980. And in view of its currently strong financial position, the group is looking for further growth or acquisition opportunities in the second half which could further broaden its product range.

Careful choice of ventures has enabled the group to achieve operating economies and thereby strengthen profitability. First-half turnover increased by 26% to R66m (R52m) due largely to continued improvement in business conditions, but the 34% increase in attributable earnings for the half-year could be an indication of higher productivity within the group. Despite the issue of 214 000 new shares which marginally diluted per share earnings, the R6m (R4,5m) profit figure was equivalent to 71,7c (54,8c) a share. That represented a 31% increase in real terms.

The group ended the first six months with an improved cash flow due largely to the Lito adjustment of R1,8m (R1,7m) which translates into a 10c tax saving per share. Its mid-year tax rate of 36,4% (38,4%) may also be an indication of the tax benefits accruing from the current R16m capex programme for new factories at Robertville on the West Rand, and in the Cape.

As the additional funds have been “helpful in funding the expansion programme,” it is likely that the R4m increase in long-term borrowings could be utilised in part for working capital to meet current demand. Improved gearing should therefore push up earnings even further at year-end.

In the present phase of the economic upswing, paper and packaging may emerge as one of the more exciting sectors as increasing demand in both consumer and industrial goods is reflected in sales figures. Kohler’s share price to some extent confirms this interest, having moved from 780c last July to its current 1 400c. The company’s interim results reveal a 19,4% return on capital.

During the coming six months, turnover will continue to rise. But it is unlikely that the 1979 pattern of 44% in the first half and 56% in the second half will be repeated because of the sharp increase in activity experienced during the final six months of last year. On this basis, year-end earnings twice those reported in the interim could be expected, bringing earnings to a possible 143c. A 2,1 times covered dividend of 68c puts the share on a prospective 4,9% yield.

Financial Mail July 11 1980

Fiona Hale
Sappi earnings up 85% in bumper first half

By DAVID CARTE
Deputy Financial Editor
SPURRED BY booming paper sales, enhanced plant use and internal efficiencies, Sappi, South Africa's biggest paper manufacturer, lifted earnings 85% in the six months to June.

The interim report says that although this rate of growth is unlikely to be maintained for the year as a whole, there will be a "material" improvement in the full year's results.

Sappi warns that dividend cover is to be increased from 2.5:1 last year to roughly three times to help fund the company's R500-million investment programme. But it expects the total dividend for the year to be "not less than" 46c.

This suggests that earnings are expected to be at least 18c — a 50% improvement on last year's 9.2c.

The interim report shows sales up 39% to R163 300 000, operating profit up 57% to R28 700 000 and pre-tax profit 80% ahead at R22 800 000. The tax rate fell to 6% from 7.5%.

with the result that taxed attributable profit was even further ahead at R19 253 000 (1979/80: R10 455 000).

Earnings a share in the half-year were 66.5c against 30.5c in the first half of 1979, and the interim dividend was lifted from 10c to 15c.

The tax rate is abnormally low thanks to allowances on exports and Sappi's heavy investments, but is not expected to rise above 10% in the next few years.

All profit and earnings figures are stated after valuing stock by the fifo method, which reduces stated profits but saves tax, enhances cash flow and gives a less inflated profit and asset picture.

A balance sheet provided with the interim report shows that Sappi is attaining its financial objectives. Taxed return on equity was an annualised 24.5% (10% last financial year), while debt-equity was reduced to 26% (38% last balance sheet).

Sappi's chairman, Mr Ted Pavitt, says the new paper mill at Milnerton in the Cape is expected to be in production in the first half of 1981 and two wastepaper companies have been acquired in Cape Town to ensure a supply of waste paper to the mill. The major expansion plans for pulp and paper announced last year-end are well advanced.

Mr Pavitt says a buoyant economy is expected for the rest of the year and increased capacity installed at the end of last year should reach full output in the second half. Emtra mill is expected to further improve its performance and with further attention to cost control and productivity, "there should be a material improvement in profit in the second half".

Sappi has had a binding past 18 months and the spectacular share price performance reflects this. With 300 000 tons a year of kraft capacity coming into operation in the kraft-starved Cape soon, and further mileage to be extracted from internal efficiency, there is undoubtedly better to come for the next year or two.

But some investors may remember that in the more distant past the pulp and paper industry has once or twice completed large expansion just as the pulp and paper market took a dive. In this capital-intensive industry, profits are highly geared to sales. So it is not surprising that the paper-makers have sometimes looked sick in bad times.

The only negative question one can raise about Sappi is: will this R500-million of additional capacity be completed three or four years from now when the pulp and paper market turns down?

The group is less exposed on this score than it once was. Today Sappi is a vertically integrated operation. Its products are more diverse and, more important, Sappi has a useful foothold in export markets, which run counter cyclically to the domestic market.

With wood, pulp, energy and labour cheaper in South Africa than abroad, it stands at a useful comparative advantage to its foreign competitors. So fluctuations in fortunes in future should be less severe.

At 88c, Sappi yields 5% on the projected minimum the dividend for the current year, bearing in mind the quality of earnings behind the dividend, is not expensive.
## Consolidated income statement

<table>
<thead>
<tr>
<th></th>
<th>*Six months to 30.06.80 R000's</th>
<th>*Six months to 30.06.79 R000's</th>
<th>% change</th>
<th>Twelve months to 31.12.79 R000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>163 321</td>
<td>117 464</td>
<td>+39</td>
<td>261 562</td>
</tr>
<tr>
<td>Operating profit</td>
<td>25 731</td>
<td>15 459</td>
<td>+67</td>
<td>37 651</td>
</tr>
<tr>
<td>Net interest paid</td>
<td>3 183</td>
<td>2 961</td>
<td>+11</td>
<td>6 340</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>22 548</td>
<td>12 498</td>
<td>+80</td>
<td>31 311</td>
</tr>
<tr>
<td>Provision for taxation</td>
<td>1 361</td>
<td>933</td>
<td>+46</td>
<td>2 731</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>21 187</td>
<td>11 565</td>
<td>+63</td>
<td>28 580</td>
</tr>
<tr>
<td>Attributable to outside shareholders in subsidiaries</td>
<td>1 934</td>
<td>1 130</td>
<td>+71</td>
<td>2 995</td>
</tr>
<tr>
<td>Profit attributable to Equity shareholders</td>
<td>19 253</td>
<td>10 435</td>
<td>+85</td>
<td>25 585</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>66.5</td>
<td>38.5</td>
<td>+82</td>
<td>89.2</td>
</tr>
<tr>
<td>Dividends per share (cents)</td>
<td>15.0</td>
<td>10.0</td>
<td>+50</td>
<td>36.0</td>
</tr>
</tbody>
</table>

## Consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th>*30.06.80 R000's</th>
<th>*30.06.79 R000's</th>
<th>% change</th>
<th>31.12.79 R000's</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funds employed</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders equity</td>
<td>157 279</td>
<td>121 804</td>
<td>+29</td>
<td>142 601</td>
</tr>
<tr>
<td>Outside shareholders interests</td>
<td>39 008</td>
<td>36 748</td>
<td>+6</td>
<td>38 018</td>
</tr>
<tr>
<td>Deferred taxation</td>
<td>4 919</td>
<td>19 689</td>
<td>-75</td>
<td>4 766</td>
</tr>
<tr>
<td>Long term borrowings</td>
<td>54 668</td>
<td>58 007</td>
<td>-6</td>
<td>59 281</td>
</tr>
<tr>
<td>Total funds employed</td>
<td>255 874</td>
<td>236 248</td>
<td>+8</td>
<td>244 666</td>
</tr>
<tr>
<td>Employment of funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>229 251</td>
<td>215 211</td>
<td>+6</td>
<td>223 584</td>
</tr>
<tr>
<td>Current assets</td>
<td>89 500</td>
<td>80 275</td>
<td>+11</td>
<td>88 434</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>318 751</td>
<td>296 486</td>
<td>+8</td>
<td>312 018</td>
</tr>
<tr>
<td></td>
<td>62 877</td>
<td>59 238</td>
<td>+6</td>
<td>67 352</td>
</tr>
<tr>
<td></td>
<td>255 874</td>
<td>236 248</td>
<td>+8</td>
<td>244 666</td>
</tr>
<tr>
<td>Ordinary shares issued '000</td>
<td>28 949</td>
<td>28 620</td>
<td></td>
<td>28 949</td>
</tr>
<tr>
<td>Long term debt to total funds employed</td>
<td>21.4</td>
<td>24.6</td>
<td></td>
<td>24.2</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1.4:1</td>
<td>1.4:1</td>
<td></td>
<td>1.3:1</td>
</tr>
<tr>
<td>Net asset value per share – cents</td>
<td>543</td>
<td>426</td>
<td></td>
<td>493</td>
</tr>
</tbody>
</table>

*Unaudited
interim results 1980

Comment on results
Group turnover increased 39% and pre-tax profit by 80% over the corresponding period last year.
Demand from local and export markets for all the Group's products has remained strong throughout the first half of the year and all manufacturing units have operated well.
In particular there has been a substantial improvement in the performance of the Ensta Mill which has, in recent months, consistently reached planned output levels.
The results of the Stanger Mill are included for a full 6 month period whereas only 1 month’s trading results were included in the corresponding period last year. Stanger contributed R25.8 million to the sales growth and R3.0 million to the pre-tax profits during this period.
The severe drought conditions in Natal continue to be a cause for concern for the operations of the Stanger Mill. Measures have been taken to reduce the water consumption of the mill by 30%. In spite of this there is still a risk of intermittent stoppages of the pulp plant until the summer rains commence. This situation is not expected to have a material effect on Group profits as the Tugela Mill is not affected by the same circumstances.
Carlton Paper Corporation had an extremely successful half year with sales up 37% on the same period last year and earnings rising by 75%. Carlton has contributed R1.2 million to consolidated earnings of the Group.

Development
The new paper mill at Milnerton in the Cape is expected to be in production during the first half of 1981 and work is progressing well. Two wastepaper companies in Cape Town have been acquired to ensure a steady supply of waste paper to the Mill.
The major expansion plans for pulp and papermaking announced at the end of last year are well advanced and a further announcement will be made in this connection in due course.

Balance sheet
The substantial reduction of the provision for deferred taxation from R19.7 million at June 1979 to the current level of R4.9 million results principally from a change in the basis of accounting at the 1979 year end which was fully explained in note 13 to those accounts.

Future prospects and dividend
It is anticipated that the economy will remain buoyant for the balance of the year and the increased papermaking capacity which was installed towards the end of last year should reach full output levels in the second half year. Ensta Mill is expected to further improve its performance and with further attention to cost control and increased productivity there should be a material improvement in profit in the second half year. It is however not anticipated that the same percentage improvement will be maintained in the second half year as was maintained in the first.
In view of the continued improvement in results your board has decided to declare an interim dividend of 15 cents per share (1979 – 10c). Having regard to our future expansion plans the board considers it appropriate this year to increase the dividend cover to approximately three times for the year. The total dividend however is not expected to be less than 45 cents per share.

Signed on behalf of the board

E. Pavitt
Director

E. van As
Director

Dividend announcement
The directors have declared an interim dividend No. 47 of 15 cents per share payable on or about the 28th August 1980 to shareholders registered on the 1st August 1980. The transfer books of registered members of the company will be closed from 4th to 8th August 1980, inclusive.

UNION CORPORATION LIMITED

Secretaries

For: D.J. O'Connor

15th July 1980.

General Mining
Union Corporation Group
SAPPi's results for the six months to end-June confirm that high local and export demand has enabled the group to benefit substantially from improved plant use. In anticipation of such an upswing, increased papermaking capacity was installed towards the end of last year and it should reach full output levels in the second half. But chairman Ted Pavitt warns that even though material profit improvements will be achieved in the coming six months, the same high growth rate may not be maintained.

Even with a slowdown in the growth rate, the interim results will go a long way towards making 1980 a good year for the group. Earnings rose by 8% to R19.3m (R10.4m) on a 39% sales rise to R63.3m (R117.5m). The improvement in margins from 13.2% to 15.8% was partly due to the recovery of the formerly troublesome Easta mill.

Whether margins can be maintained for the rest of the year depends in part on the cost increases, but also on the severity of the Natal drought as current water shortages are threatening to cause intermittent stoppages of the Stanger pulp plant. The group has, however, denied this will materially affect group profits as the Tugela Mill is not affected by the same circumstances.

Pre-tax profits were boosted from R12.5m to R22.5m for the first half. Stanger mill, consolidated for a full six months compared to one month in the corresponding period last year, contributed 13% of the R22.5m but this percentage may fall if drought fears are confirmed.

The tax rate continued to fall, reaching 6% (7.5%) due to increased export allowances as the group established new markets in a number of African and overseas countries. Capex allowances and tax losses also contributed towards the lower rate, and the group plans for a rate no higher than 10% in the medium term.

Due to an increase in the number of issued shares, attributable earnings of R19.3m (R10.4m) were diluted slightly, giving an 82% increase in eps from 36.5c to 66.5c. An interim of 15c (10c) was declared but with expansion plans for pulp and papermaking plant in the pipeline, dividend cover is to be increased to 3 times to fund expansion.

On this basis, a total 45c being forecast for 1980 would be backed by earnings of 135c per share. Despite the pleasing interim results, the share at 840c yields a prospective 5.4% which indicates that the market is already discounting a fair measure of future growth.
Consol Glass' MD Jan Robbertz's view that "the packaging industry is a fast responding barometer to the economy" has been borne out by the performance of the sector. During the past 12 months, the 8.7% appreciation in the RDM Packaging index from 437.8 to 800.0 has been in line with the 8.3% improvement in the RDM Industrial Index. And the attitude of those involved in the industry is that the barometer is set fair for at least another 18 months.

Being closely linked to spending trends of both consumers and manufacturers, glass has not always helped the industry, and the growth rates now being reported must be seen against the doldrums of 1979 and early 1980. But now, the glass sector is characterised by relatively low debt, high cash flow and excess capacity. Acquisitions by the larger groups during the past few years have added to their capacity without the need for heavy capex. And if expansion does become necessary in the near future, gearing should continue to boost earnings growth for a further period.

New concepts

As producers of a wide range of packaging, industry majors often have one division competing against another for market share. Because of the large number of participants and the highly technical nature of the industry, R&D divisions are hard at work to find more competitive products, preferably lighter and easier to make.

Last year, the result was an array of new concepts, including bag-in-a-box wine containers, 2 plastic cold bottles and "sesame" openers on dry goods cans. Few of the companies fund their own research in SA, mainly because of the high costs involved. Consol's Robbertz maintains that "we don't want to be sitting out here re-inventing the wheel" so his company draws on expertise from US-based Owens Illinois, which spends an annual $60m on R&D. Metal Box also receives technical aid from its UK parent while both Kohler and Nampak keep up with overseas innovations.

But constant efforts to make better products may not be enough in this fiercely competitive industry. Nampak's Bass Kardol warns that "margins will continue to be eroded as market share is defended." But the packaging companies are prepared for the fray. None of them is short of capacity. They have either anticipated the current packaging boom and completed expansion well in time, or did so. Kohler, or they have reached only about 90% utilisation across the board like Nampak.

For Metal Box, running at 70% on average, the new Roslyn "two-oz" line represents updating of equipment with newer technology. Consol Glass will probably exercise the option of putting in larger furnaces in its regular replacement process.

The only possible threats to future growth and profitability in the industry are short supplies and escalating costs of raw materials. The threat is more acute in the manufacture of some materials than others.

Supplies of paper for corrugated board are still scarce and the acquisition of Premier Paper by Nampak has not alleviated the pressure as two thirds of its output was in any case previously bought by Nampak and one third by Kohler. Major supplier Sappi is reportedly encouraging new entrants into the industry which are more likely to build up large stocks, resulting in the real thing being kept in short supply. And when the boom really materialises, it will be the companies with raw material stocks which will profit.

Plastic materials have risen with the oil price, and tin-plated increase in line with steel prices. Glass manufacturer Consol appears to have fewer problems as it mines its own silica sand and the price of imported soda-ash could decrease as demand lessens on the world market. Consol has also switched from the use of furnace oil to coal-generated gas. But for the rest of the industry the raw material threat remains and during the next few years, price hikes and scarcity may well affect the relative cost-competitiveness of some packaging materials.

When asked comment on medium-term prospects for the industry, most manufacturers referred to the following favourable trends: an increasingly favourable economy; greater consumer spending in both white and black sectors; and the ability of the industry to cope with increasing demand.

Nampak's Kardol sees prospects "very healthy deep into 1981." As the company boasts a track record of steady growth even in bad times, he expects it to live up to its reputation this year. A 21c (18c) interim was declared in March backed by earnings of 72c (43c) and assuming the same growth in the second-half, a total of 48c could be paid this year. At 800c, the share yields a prospective 5.3%, indicating that the market has already acknowledged its long-term worth.

Robbertz, pointing its stronger orientation towards marketing during the last two years and extensive reorganisation of divisions, Metal Box has increased market share and management believes it will continue to hold its own against smaller undercutting competitors. The company, geared up to 44% of equity, should realise higher profits with the expected increases in sales over the coming six months. Forecasts for the year to end-March indicate a total dividend of 36c (30c) which puts the share at 50c on a 6.5% prospective yield. On this basis, it has upside potential.

Finding the field in earnings growth over the last four years, Kohler expects the real upsweep to boost profits in the second half of this year and into 1981. MD Tony Crosby attributes the company's growth record to "productivity, rationalisation, and profit consciousness" and confirms it will be on the lookout again this year for suitable acquisitions into which it can channel excess cash flow.

The share strengthened from 790c last July to 1400c, and if interim earnings of 71.1c (49.6c) grow to 170c (125c) at year's end, the share could yield a prospective 6.1% on a 90c (61c) payout.

Although Consol Glass has the distinction of being SA's sole manufacturer of glass packaging, it has not limited itself to this field, diversifying into plastics, glass tableware and, more recently, corrugated board. Management is particularly aware of the need for productivity within the company and has achieved earnings growth of 22% during the last four years while reducing the number of employees from 6 000 to 4 000.

Results for the year to end-June are not yet unavailable, but Robbertz asserts that "the trend in the interim has been strongly maintained." This could indicate earnings of 120c (115c) and a three-times covered dividend of 60c (40c) for 1980. At 920c, the share yields a prospective 7.0% and although capital investment over the next few years may push up cover, the strong balance sheet leaves scope for gearing up from the current non-debt situation.

WHAT DO THEY MANUFACTURE?

Consol Glass

<table>
<thead>
<tr>
<th>Plastic</th>
<th>Corrugated Board</th>
<th>Glass</th>
<th>Glass</th>
</tr>
</thead>
<tbody>
<tr>
<td>36c</td>
<td>30c</td>
<td>48c</td>
<td>50c</td>
</tr>
</tbody>
</table>

365

Financial Mail July 25 1980

Packaging ... growth in tandem with consumer demand
Mondi is to increase its fine paper capacity

Mondi Paper is to convert its No 3 paper machine from the production of newsprint to the production of fine paper following an upsurge in demand in South Africa for all grades of fine printing and writing papers.

The rebuild of the machine at its Morebank site near Durban will involve the installation of a size press as well as additional chemical pulp handling and refining capacity. Capital expenditure on the conversion will amount to R60m and the machine is expected to begin manufacture of some of Mondi's fine paper grades during September. This will ease the existing tight supply situation for fine paper which has developed locally as a result of the upturn in the economy.

The No 3 machine, a Beloit Walmley, was commissioned at the end of 1976 at a cost of R32m and is capable of producing 100 000 tons of newsprint annually. Its conversion will enable Mondi to increase production of fine paper by up to 90 000 tons a year. The new capacity for fine paper will be used to keep pace with market demand as well as for exports, and will ensure that the Republic is self-sufficient in fine papers for many years to come.

Mondi's fourth paper making machine is expected to come on stream later this year while a fifth machine will be in operation in mid-1981. Mondi will then be one of the largest single mill complexes in the world with an annual production of 450 000 to 500 000 tons.
Premier Paper raises profit 52%

By DAVID CARTE
Deputy Financial Editor

WITH DEMAND for paper buoyant, Premier Paper lifted pre-tax profit 75% to R2 745 000 in the year to the end of June, says the second interim report.

Taxed attributable profit, excluding extraordinary items of R111 000, rose 62% to R3,834 000. Because of the increased number of shares in issue — 1 635 000 against 1 364 000 — earnings a share rose 19% to 10c (8c). A special dividend of 20c has been declared, bringing the payout in the past 12 months to 40c (30c).

To bring its financial year into line with that of its new controller, Nampak, the company will report for a 15-month period to the end of September.

The company has resumed deferred tax accounting and has adjusted comparative figures accordingly. During the year under review, not only was Premier Paper taken over by Nampak, but it sold Hunyani and Southern Products.

Premier has easily exceeded the forecast attributable profit of R2-million before deferred tax made at the time of its takeover by Nampak and trading in the second half seems to have been better than in the first, with sales up 10% on the first half to R129 900 000 and pre-tax profit up 60% to R1 680 000.

Main reasons for the improved performance are a healthier paper industry generally and the sale of Southern Products. The company reports order books full and the market strong.

COMMENT: At 78c the share yields 5.1%, which is a full price considering the dominant position of Nampak, Premier’s main customer, and the limited marketability of the share.
ica, Europe, Canada, and Hong Kong. When the local market was depressed during 1978, exports rose by 86% to 110,000 t.

At the moment, Mondi is pushing ahead with an ambitious R100m expansion, which will result in its having a 500,000 t capacity and being one of the largest mills in the world. Two new machines are under construction, with one 130,000 t plant coming on stream in October and the other following a year later.

NEWSPRINT SIM 1980
Reversing the trend

After five years of depression, newsprint consumption is on the upswing again, with the two major manufacturers of the material working at full capacity to supply the demand.

Recent figures released by the Newspaper Press Union (NPUS) reveal that newsprint consumption will reach an estimated 85,788 t during the last half of this year, 21% higher than the first six months' consumption of 70,872 t and almost equal to the rate consumed during the heady days of 1975, when 179,405 t were consumed.

The advent of TV aggravated the newsprint slump, because much advertising revenue was siphoned away. This trend has recently been reversed, and should cause newsprint consumption to be around 10% higher than last year's depressed 162,240 t, and well above the 136,655 t of 1979, the year in which advertising first appeared on TV.

The NPUS, on behalf of member newspapers, orders newsprint twice a year from the two manufacturers which currently share this sector of the pulp and paper industry, Sappi and Mondi.

Sappi, which can supply a limited 70,000 t a year, is currently running at full capacity and cannot meet any further rise. Consequently, consideration is being given to increasing capacity. MD Ken Lechemere-Gertel points out that the bulk of newsprint usage is inland and that Sappi is well-placed geographically to supply the demand.

Mondi, a member of the Amic group of companies and a major exporter of newsprint, is absorbing the increased demand. MD Reg Donner says exports are being phased back to allow increased domestic supply, as the company's priority is the local market.

The export market has been particularly strong in recent times, and Mondi has been supplying up to 17 foreign customers including Israel, the whole of South Amer-
Another union wins recognition

The independent labour movement has made a further breakthrough in its drive for recognition — a second industry has decided to allow unregistered unions "stop-order" facilities.

The decision, which will allow for the deduction of union dues at source, was taken at a meeting of the Industrial Council for the Paper and Pulp Manufacturing Industry.

It follows a similar move last month by the employers' association for the engineering industry, Sefsa.

According to a source close to the council registered unions in the paper industry "unanimously" favoured the step.

The conditions for the extension of stop-order facilities to the unregistered unions would be the same as those stipulated by Sefsa, he said. They would have to apply for registration and demonstrate majority worker support.

The concession has been welcomed by both the unregistered Paper, Wood and Allied Workers' Union and the Federation of South African Trade Unions to which it is affiliated.

"We are committed to independent trade unions, which implies financial independence," said the Transvaal regional secretary of Fosatu, Mr. Taffy Adler.

"Access to stop-order arrangements will give our unions the beginnings of a secure financial base."
The granting of "stop orders" means that an employer agrees to deduct union dues on behalf of the union from the pay packets of workers at his plant. Unions regard them as both a limited form of recognition and an important source of financial stability.

Yesterday's decision does not automatically entitle the union to "stop orders" from all employers in the industry. However, it means that employers who wish to be entitled to extend these facilities to the union must apply for "stop order" facilities.

The steel and engineering industry recently became the first to extend stop orders to independent unregistered unions, which do not have links with non-registered unions in their industry. It is understood that the conditions on the granting of "stop orders" which are understood, have also been imposed by the paper industry.

The conditions were:

1. The union must make a contract with the industrial council;
2. It must prove that it has applied for Government registration;
3. It must give a written undertaking that it will apply to join the industrial council once it has obtained registration;
4. The exemption allowing the union to enjoy "stop order" facilities is valid for six months.

Union stop orders may not be imposed on behalf of foreign black workers, although those from the "independent" homesteads are eligible.

A spokesman for the PWAU welcomed the decision last night and said it would enable the union to expand significantly.

"The union's support in the industry is growing and the granting of stop orders will hasten this process," he said.

The union has already complied with a number of the conditions and would comply with the rest, he said.
ANGER PAPER MILL FROM DROUGHT DISASTER

The Strangeford Mill. Quick thinking kept the wheels turning.

...
DRG’s solid profit

By DAVID CARTE
Deputy Financial Editor

DRG (SA) the packaging, stationery and plastics group that was listed on the JSE in November last year, achieved solid profit growth in the six months to June 30.

The interim report released today shows pre-tax profit up 43% to R4.351 million on a 61% increase in turnover, which was R6.820 million. With the tax rate up slightly and the minority slice down, earnings were 51% better at R2.319 million.

This was equivalent to 18c a share, on which an interim dividend of 8c was declared. The company says the reconstruction of DRG’s capital base makes earnings and dividends incomparable on a per share basis.

According to the report, John Dickinson Stationers, Sparrow Wholesale Stationers and Ten- sion Envelope improved results in a competitive market. Palladium Business Stationers has opened five new “service centres”, while DRG Flexible Packaging and DRG Plastic Moulders benefited by improved demand.

DRG Sacks has maintained a satisfactory performance and DRG Sellotape has moved into a new factory at Isando and

will soon be ready to penetrate new markets.

COMMENT: The second half is traditionally better and the company expects year end earnings to be more than double the interim 18c. Earnings of 45c should be no sweat. Last year the dividend cover was 2,1 and the prospectus said, it would be roughly 2. This suggests a total dividend for the year of about 20c. At 270c, the shares yield an interesting 7,4%.
Another part of the plan to reorganise the C G Smith group (FM August 8) was initiated this week with the proposed consolidation of a number of packaging and related companies under the Nampak umbrella.

The proposals cover two separate deals. The first — and most important — is Nampak's absorption of Hypack and Containern, the one-time Hulett's packaging subsidiaries acquired by Smith (Nampak's immediate parent) last month as part of the deal in which the Barlows group sold its interest in Hulett's to Anglo.

But while it was obvious from the start that these companies were destined to go to Nampak as part of a general realignment of Smith, an unexpected aspect is that Nampak is buying them at a far more favourable price than that first paid by Smith. As an inter-group deal, however, it has been structured so as to have a minimal effect on the earnings of the principals, which accounts for the difference.

Nampak is issuing 2m new shares to its parent at 825c and is also paying R9.5m cash. The total price tag of R26m is 33% less than the R38.7m received by Hulett's from Smith, but is still well above the book value of assets — this is reflected in the fact that Nampak net worth reduces from 40c to 37c a share.

From Smith's point of view, the only impact is that the R12.7m book loss on the sale reduces the total capital profit realised through the sale of its interest in Hulett's from R84m to around R71m. The group makes the point, however, that this has already been taken into account in the proposals whereby Smith Sugar is bidding for the total issued capitals of Smith & Co and Smith Investments.

The second deal involves the sale of three Hulamin subsidiaries to Nampak for just under R5m. Rotoflex, the most significant, makes a wide range of aluminium foil, plastic film and paper and packaging products. Alpack is a small distributor of aluminium products, and Aluminium & General Products, even smaller, is virtually a shell.

Hulamin vice-chairman, Norman Duncan, confirms that the sale is not expected to have a material impact on either earnings or net asset value of the group.

During the August negotiations, it was rumoured that Barlows had its eye on the whole of Hulamin but it looks as if this is all they will get. Although the three companies will undoubtedly complement Nampak's operations, it seems likely that it will have paid something of a premium for a piece of the group, and that any benefits will therefore be long-term.
Optimism for the future

Optimism depends as much on yesterday's performance as on hopes about tomorrow. Three of the major facets of General Mining Union Corporations' (Gencor) continued investment in Natal and Kwazulu emphasize this.

They are the vast coal resources being mined by the group, the re-structuring and modernization of its shipping interests and the massive investment being pumped into forestry and paper-making.

These are far from the only targets the group holds in the province, but these illustrate the faith that Gencor - which administers or controls companies round the world with turnover of more than R3.2 billion annually - has in the area.

Modern techniques are being applied to expand and develop all three: to a resource that has taken millions of years to evolve; to a traditional mode of transport being harried by high fuel costs; and an industry which depends so much on the elements and the seasons as does it on technical and chemical knowhow.

So, without discounting the importance of Gencor's substantial other investments in the Natal region, investments which range from construction and engineering to beach sands and paper-making, it is on these three aspects that we focus.

"We are modernizing existing facilities at our Natal coal mines and new seams are being mined to supply sugar with coking coal of a quality unavailable elsewhere," says Mr. George Clark, a general manager of General Mining.

The group has three coal mines operating in the Natal area, Northfield and Kl Bairunch in the Glencoe-Newcastle district, and Hibon near Vryheid.

It is at Hibon that the major investment is to take place.

The plans are for the existing infrastructure and plant to be modernised by pumping in up to R52m. This represents a tangible faith in the future of the coking coal and the region.

An extension of this faith in coal is to be found in a further and more recently announced - investment by the group.

"We are the biggest single participant in the most expansion scheme at the Richards Bay coal export terminal," says Mr. Clark.

We are in for R172m of the total R250m cost of this development. This expansion scheme on which work is to begin immediately, two years earlier than previously planned, will raise the capacity of the existing coal terminal from 24m tonnes annually to 46m tonnes a year by mid-1984 and should bring an additional R1 billion in foreign exchange to South Africa's coffers every year. This figure is also likely to rise.

Coal is at present fetching around R30 a ton on export markets, but this is likely to be 40 percent higher by the mid 1980s and should reach R60 per ton by 2000.

Unicorn Lines has embarked on a programme of further modernization of its fleet. The company, a subsidiary of Gencor, has gone through a phase of major modernization and rationalization in the wake of the rapid climb in fuel prices and the imports given to containers in recent years.

The fleet of container ships increased during 1979 from 3.372 units to 4.617 units, most being supplied from South African sources.

These containers currently represent a replacement value of R11.5m and the expectations are that further requirements will also be filled through local sources.

In addition, two new ships were added to the fleet in December 1979. One, a 2,759 DWT vessel with a 253 container capacity is operating successfully on the Indian Ocean Island trade, while the other, an 3,762 DWT MV Umfolozi capable of lifting 495 containers, was purchased for employment on the South African to Israel trade.

Further replacement tonnage for vessels sold because they were uneconomic is also under consideration.

Back on dry land, Sappi, the largest producer of pulp and paper on the African continent, has earmarked R250m for investment over the next five years - a portion being destined for Natal.

The Stanger mill, which produces fine coated papers from sugar cane bagasse, was Sappi's major acquisition in 1979.

Amounts of R4.2m for the installation of four boilers for the Stanger plant to produce its own steam and R1.5m for a 20 percent increase in output of bagasse pulp, have already been invested at the mill by Sappi.

In addition to this money will go into the updating and modernisation of the Tugela mill at Mandini and the continuing implementation of Sappi's policy of developing its forestry reserves in Kwazulu and Natal Midlands.

These widely differing industries - one below ground, one above and one on the high seas.

But all three point to the good returns Gencor has received in the past from Natal and Kwazulu and to its optimism about the future of the regions.

---

NOTE CAREFULLY

1. The answers only on the right hand pages will be marked. The left hand pages may be used for rough work, but no credit will be given for such work.

2. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.

3. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.

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

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

EDISON 1979
An industry on the burn

Development plans costing at least R1 000m are in the pipeline for the pulp and paper industry, threatening to outstrip supplies of timber. Should the projects all come to fruition, a serious shortage of timber could develop within the next few years.

Among the developments planned are:
- Sappi’s five-year R500m programme to modernise and improve its mills around the country.
- A possible R400m pulp mill at Richards Bay for Mondi, which currently imports 100 000t of pulp a year. No final decision to go ahead has been taken.
- Meanwhile, the company is spending R100m on two additional paper machines at its Durban plant, which will take production up to about 500 000t a year. One machine will come on stream by the end of this year and the other by mid-1983.
- Another R25m is being spent on expansion by the Mondi subsidiary, SA Board Mills.
- Salicor, the rayon pulp producer at Unkomoas which is owned by Courtaulds and the IDC, has just completed a R10m programme to increase capacity by 1000 t/d to an annual output of 250 000t of pulp requiring 1.1bn t of timber to produce.
- Then there is Central Timber Co-opera-
tive’s planned R10m plant at Richards Bay, from which wood chips will be ex-
ported to Japan. It is currently exporting 500 000t of chips a year and has been given permission to export another 200 000t an-
ually up to 1992. Exports out of Richards Bay will begin in 1982 and will make CTIC the biggest single exporter of wood chips in the world.

Although, after some years of surplus, the supply and demand for newsprint is tight, a shortage of timber is roughly in balance, there could be a serious shortage of timber within the next few years, according to Craig Anderson, chairman of the SA Timber Growers’ Association. At this week’s annual con-
gress in Pietermaritzburg, he again urged growers to plant for all they’re worth.

Bruce McKenzie of the Forest Owners’ Association, which represents the big growers, believes the decision to go ahead with some of the larger projects may well hang on the availability of timber.

He points out that, even with the pheno-
nomenal growth rate of commercial exo-
tics, it takes at least 10 to 15 years before a tree planted now becomes usable. Affor-
estation has been a comparatively slow process with the area under trees, includ-
ing Transvaal, rising only from 1 692 333 ha in 1971/72 to 1 410 130 ha in 1978/79 — the latest figure available.

Demand for timber land has increased and prices, depending on area, have risen by about 12% in the past six months,

estimates Pat Mills of Measured Farming in Pietermaritzburg. He says valuations have become much more difficult than ever, with values changing almost from week to week.

In marginal to fairly good areas, timber land is fetching around R250/ha whereas prime land in the northern Transvaal would fetch between R800 and R900 a hectare. He cautions that timber land values depend on a wide variety of vari-
bles such as rainfall, temperature, soil type and aspect, and nearness to railheads or processing plants, so generalisations tend to be misleading.

Current demand, believes colleague Clive Henderson, is due to a combination of causes including availability of money from expropriations for black areas, a better timber market and a more buoyant economy. He makes the point that current timber prices allow the grower a marginal return on capital and that big companies would only invest in timber land if they could see a satisfactory return.

A survey just published by the Association of Pulp, Paper and Board Manufactur-
ers of South Africa shows that con-
sumption increased by 9.6% to 1.1Mt in the three years to the end of 1979. Exports increased spectacularly by 121% to 174 815t to exceed imports, which fell by 11% to 154 932t.

The proportion of imports to total con-
sumption dropped to 13.9% in tonnage and 18.65% in value. Consumption of paper and board advanced marginally to 39.76g per capita — ahead of Russia (37.9g); many Eastern Bloc countries, all of Africa and most of South America, but far behind the US (47.9g), UK (53.8g) and West Ger-

many (142.7g).

The report states that productivity in the industry has increased greatly, with sales value per employee rising from R10 101 in 1975 to R13 651 in 1979. With capital expenditure in the industry at the end of 1989 approaching R500m, it looks as

if developments over the next decade will at least treble that figure, and SA may have to resort to importing timber and/or pulp to help the mills going.
year although Kardol cautions that economic activity is forecast to slacken and that packaging companies are very sensitive to changes in business conditions. It seems, therefore, that while the initial months may be buoyant, overall results for fiscal 1981 will not necessarily see an improvement on last year's 26% earnings growth rate. This is not exceptional by present standards but with a prospective dividend yield probably around 6.5% Nampak looks a solid income stock.

Brian Thompson

NAMPACK (14) FM 11/90

Rationalising costs

On the face of it, Nampak's growth slowdown in the second half of the year to end-September is a little disappointing. After a 37% improvement pre-tax in the first six months, the April-September period produced an increase of only 22.5% — some way short of the 26% achieved by competitor Kohler Brothers for the six months to June.

But the company has probably done itself an injustice by not spelling out the non-recurring costs incurred in a number of major rationalisation programmes and the restructuring of the group into product divisions. Chairman Bas Kardol says that in addition to these costs, the group was faced with increased competition, particularly in the corrugated container division and also plastic conversion where there have been a number of new entrants to the market. Furthermore, the group was also operating from a higher profit base in the second half, having already started to feel the benefits of increased economic activity in the same year-ago period.

But it is clear that the slow-down was mainly attributable to the non-recurrent costs. Kardol said after the first six months that R1m had been written off in the rationalisation of the Transvaal operations. No figure for the full year is available, but bearing in mind that reorganisation affected the whole group in the second half, a figure of R3m for this period may not be too high. The total for the year would thus be R4m. If so, pre-tax profit growth in real terms for the full year would have been about 35.5% instead of the 29% indicated by the published figures, and the 14.5 percentage point slow-down during the April-September period would have been halved.

There would still, however, have been some deterioration in margins, presumably reflecting the competition aspect, although the cost to the group in terms of profits for the six months would probably not have been more than R750 000 to R1m.

And as for working from a higher profit base, it is noteworthy that the group nevertheless managed to push its turnover growth up from 34% in the first six months to nearly 30% in the second.

With a more effective structure now established, this bodes well for the current
Local mill under-capacity in producing certain grades of paper, as well as import restrictions, have resulted in an extremely tight supply of paper on the SA market. Printers are absorbing paper as fast as it becomes available.

Supplies of high grade papers and products that are not produced by SA mills are easily available from the US and Europe, claim importers. However, the problem lies with the restrictions placed on imports of grades of paper equivalent to grades produced locally.

A spokesman for Peters Papers (a subsidiary of Barlows) says the boom has taken up the capacity of local mills. Both he and Pat McGurk, MD of Union Corporation's Evelyn Haddow, note that Sappi - which, with Mondi, is a leading manufacturer of quality paper in SA - has not planned for adequate new machinery.

Says McGurk: "The boom situation has caught up with us. A problem here is that Sappi hasn't installed new machines for years. It hasn't put in a new paper machine for 16 years - and that was for newsprint. And it hasn't put in a new finepaper machine for 20 years."

He notes that Mondi has also lapsed in catering for present paper requirements. According to McGurk, Mondi intended to convert one of its machines to produce higher quality paper. But it decided to keep it running a few months longer for newsprint, for which it has an export market.

However, both groups have taken steps to improve their capacities and ostensibly to raise the grades of their manufactures. Sappi has a five-year R500m programme aimed at modernising and improving its mills around the country. Its high capital investment is aimed at increasing output of existing grades, as well as manufacturing grades that are not at present made locally.

Ken Lechmere-Oertel, MD of the Sappi Group, acknowledges McGurk's statement: "It is factually correct that we have not installed a new machine for 16 years. But he overlooks the fact that by spending moderate amounts of money, it is possible to increase capacity on existing machines.

"Sappi has increased its output of fine paper by 15% in Springs and by 25% in Stanger," Lechmere-Oertel says, defending Sappi's ability to cater for growing paper demands without new machines.

He adds: "It is fair to say certain grades of paper are in tight supply, but the situation will be alleviated in due course. The problem is not insurmountable and not critical at all."

And Mondi is spending R150m on two new paper machines at its Durban plant. This should increase its production to 500 000 t a year - 69 000 t short of the current output of Sappi.

Reg Donner, Mondi's MD, was unavailable for comment on paper supplies and his company's proposals for meeting demands in the future.

With the "very dramatic increase" in the demand for paper this year, stockpiling has been impossible and merchants have been low in stock of certain grades. Printers have had to make do with available supplies and a certain amount of substitution and flexibility has come into play.
PREMIER PAPER

Slotting in

Activities: Products packaging paper and tissue wadding. 54% of the equity is held by Paper Industries, which is 67%-owned by Nampak and 33% by Kohler.

Chairman: B Kardol; managing director: J W Mackenzie.

Capital structure: 1.6m ordinary shares of R1; 100 000 prefs of R2; and 1.5m convertible prefs of R1. Market capitalisation: R11.1m.


Capital commitments: R769 000.

Share market: Price: 980c (1979-80: high, 780c; low, 290c; trading volume last quarter, 40 000 shares). Yields: 18.5% on earnings; 5.9% on dividend. Cover: 3.2. PE ratio: 5.4.

\begin{tabular}{lcccc}
\hline
 & 77 & 78 & 79 & 80 \\
\hline
Return on cap % & 6.4 & 3.0 & 16.2 & 12.7 \\
Turnover (Rm) & 19.0 & 24.1 & 24.6 & 20.0 \\
Pre-tax profit (R000) & 519 & 935 & 2 172 & 1 070 \\
Gross margin % & 8.7 & 8.2 & 12.1 & 14.9 \\
Earnings (c) & 28.6 & 23.6 & 90.0 & 1 126 \\
Dividends (c) & 18 & 18 & 30 & 140 \\
Net asset value (c) & 833 & 624 & 769 & 573 \\
\hline
\end{tabular}

\( ^{\dag} = 16\)-month accounting period

With control passing to Nampak in March, Premier Paper's 15-month accounting period to end-September was largely a time of reorganisation so as to slot its activities more effectively into Barlow's paper division.

One of the main changes was the sale of the company's Zimbabwean subsidiary, Huyanly, to former controlling shareholder, African Finance Corporation. The tissue converting and marketing division, Southern Products, was sold to Nampak Tissue Products, while Premier Paper took direct control of the activities of Waste Paper Collections and Southern Paper Industries (tissue manufacture) which are now run as divisions rather than as wholly-owned subsidiaries. The object was to achieve better management and reporting control within a group whose activities are now confined to paper manufacture.

The major impact so far has come from the sale of Huyanly, which increased cash flow by over R2m. These additional funds enabled the group to repay almost 90% of its remaining borrowings. The resulting interest saving contributed materially to the 50% gain (annualised) in pre-tax profits.

Considering that most of the output is absorbed by Nampak and Kohler, turnover growth from SA operations was a relatively modest 19%. This reflects the fact that both the group's mills continued to operate at full capacity and increased output was achieved only through improved efficiencies.

Turnover growth was matched by the improvement in gross profits (before tax and interest), but the drop in interest charges added 30 percentage points to the pre-tax rise. Further down the line, profits were also enhanced by the elimination of minorities. Against this, however, were factors such as a higher tax charge — assessed losses having been fully utilised — a full year's dividend on the new pref shares and a 20% increase in the effective ordinary share capital. The result was that earnings per share were up only 44% on an annualised basis and the dividend total was raised by one-third.

Shareholders might be disappointed with the conservative payout, which is covered three times, especially as the group had sufficient funds available not only to repay most of its borrowings, but also to build up cash resources to R1.1m.

But new chairman Bas Kardol comments that while there may have been surplus funds last year, future capex could be...
Unions ‘driven off shop floor’

By Drew Forrest

The Federation of South African Trade Unions, which represents about 28,000 workers nationwide, has accused a growing number of companies of attempting to force black unions into the “bureaucratic mould” of their white counterparts.

In a statement released yesterday Fosatu attacked these companies, in the paper, biscuit-making and chemical industries, for seeking to drive trade unions off the shop-floor and into industrial councils, where all negotiation would take place.

Fosatu unions have opted for registration, which would give them access to industrial councils. But they are adamant that the latter should not replace bargaining structures at plant-level.

There was a further worrying trend towards the revival of the “discredited” official committee system as a substitute for elected committees of shop stewards, the statement said.

Fosatu would fight these trends, as they were “in the interests of employers and a minority of skilled white employees, while ignoring the needs of the mass of black workers.”

Of particular concern to Fosatu is the Sappi paper plant in Springs, to which the Fosatu-affiliated Paper Wood and Allied Workers’ Union has effectively been denied access.

Sappi public relations officer Mr B Coedcke could not be traced for comment yesterday.
NAMPAK

Taking breath

Activities: Manufactures a broad range of packaging products, including paper, corrugated board and plastic containers, Subsidiary of C.G. Smith.
Executive chairman: B Kardol; deputy chairman: L Wilder.
Capital structure: 30.7m ordinaries of 50c; 100,000 6.5% cum. pref of R2; 400,000 6% cum. pref of R2. Market capitalisation: R224m.

Return on cap % .... 29.0 24.4 37.1 28.8
Turnover (Rm) .... 142 128 240 327
Pre-tax profit (Rm) .... 24.7 24.5 42.8 55.3
Gross margin % .... 17.7 19.7 18.3 17.8
Earnings (c) .... 66.5 58.3 96.1 117.7
Dividends (c) .... 26 25 38 46
Net asset value (c) .... 288 312 371 435

* Year to end-December. I Nine months to end-September

The flurry of rationalisation and acquisition activity at Nampak is just about over for the time being. Its one-off costs and management involvement, which restrained growth to some extent last year, should now be relieved. And as the group is now operating off a larger, broader base with a more streamlined operation, prospects for the current year are good.

Chairman Bas Kardol says there is still some minor internal tidy-up to be done and, with the Hypack/Container and Alpack/Rotolofix groups being consolidated since the year-end, management obviously has a lot to digest. As a result, further acquisitions or reshuffling are probably out of the question right at the moment.

Kardol adds that last year's take-over strategy, which was aimed at lessening the group's dependence on the difficult corrugated paper division, while also acquiring raw material supplies, has to some extent been fulfilled. Opportunities for further expansion along these lines are limited.

While some of the benefits of last year's activity will certainly become evident during the current financial year, the group may not be able to capitalise on them fully until fiscal 1982. Presumably this has been management's deliberate policy – to aid up the base and optimise the group's operating structure while the heat is off.

Yet there have been some significant reductions of material conditions. Kardol adds: "You can put it down to the fact that with short-term demand up, we have been able to get, if not the best, better prices. And, of course, we are the largest user of corrugated board in South Africa. As a result, we have the ability to negotiate prices." Kardol attributes the higher absorption of electricity costs in most divisions of Nampak and the successful control of other costs to a closer organisation of the work force. He points out, however, that the production of packaging units, which is not very labour-intensive, is an exception to this.
In a Business note on the supply of fine paper (FM November 28), it was claimed that Mondi had lapsed in catering for present paper requirements. This statement overlooked the fact that Mondi has commissioned a No 4 machine at Merebank, is well advanced in the construction of No 5, and is also on schedule in converting No 3 for the production of fine paper. As regards the supply of paper, chairman Chris Griffith points out that Mondi will be able to service — "more than adequately" — all paper requirements in the near future.
Kraft mill for Milnerton

Staff Reporter

SAPPi, Africa’s largest paper-manufacturer, is establishing a R20 million kraft mill in Milnerton which they claim will help to clean up the environment.

In a press release, the company said that it has already collected a substantial quantity of waste paper to be processed when the mill is commissioned in June next year. The plant will employ about 100 people.

The mill will provide the packaging industry with linerboard and fluting, used to make corrugated boxes.

"The plant will supply a quarter of the Western Cape’s total need," says Mr Basil Landau, SAPPi’s new chairman.
The B.Com. is intended for students who wish to acquire a three-year business degree, which includes liberal subjects as options, and offers the possibility of further study at Honours level, in various directions. It has Accounting as a compulsory major, and caters for:

* those wishing to qualify as chartered accountants (see also the chapter on Entrance to the Accounting Profession)
* those wishing to enter the business world with a background in accounting and other subjects
* those wishing to qualify as teachers of Commercial subjects

There are seven basic first-year streams. All students take Accounting as a major. There are option subjects, and optional second majors, in Mathematics and Statistics. The curriculum is designed to give the background knowledge in the second year. For example, the course on taxation and auditing, company law is essential for students who wish to specialise in these subjects.

<table>
<thead>
<tr>
<th>Notes</th>
<th>Economics 1A &amp; 1B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students intending to proceed to Economics II</td>
<td></td>
</tr>
<tr>
<td>Students with good background in mathematics should take Business Organization or Economics I, as detailed in the Department of Mathematics in the last section.</td>
<td></td>
</tr>
</tbody>
</table>
Manufacturing - Paper Products

Strike hits paper firm

Sappi Fine Papers, at Enstra in Springs, became the latest company to be hit by the current wave of strikes when about 500 black workers downed tools today.

Workers from three different shifts gathered outside a staff canteen to demand an increase in their minimum wage.

"Worker militancy was increasingly difficult to restrain," a Sappi spokesman said.

Management had been warned of this earlier this week.

The spokesman said about 500 workers had downed tools but a worker source put the figure closer to 1,000.
Strikers go back to work at Sappi

By Drew Forrest

The strike by at least 300 black workers at Sappi Fine Papers at Entra Springs, has been settled with the company agreeing to negotiate new minimum wage rates with their union.

This represents a major breakthrough for the Fosin-affiliated Paper, Wood and Allied Workers' Union which has a strong following at the plant.

Last year, Sappi was publicly attacked by the union for insisting that all negotiation take place at industry rather than plant level, and for refusing the union access to company premises.

A recent union meeting on Sappi property was dispersed by Security Police.

According to a union spokesman, the tension which had been building up for several months had come to a head at the weekend over the minimum wage issue.

The new minimum for labourers was R1 an hour — a 10c increase over the previous rate.

BACK ON JOB

Worker militancy had been increasingly difficult to restrain, the spokesman added, and management had been warned of the necessity to negotiate with the union.

The strike began on Tuesday morning when workers from three different shifts gathered outside the Sappi staff canteen to demand a minimum wage increase.

Sappi's managing director, Mr. K. Lochner-Oettel, said about 300 workers had downed tools.

However, a worker source put the figure at closer to 1,000.

All workers were now back on the job, after a management undertaking to negotiate wages with a 12-man team consisting of union officials and shop stewards, the union spokesman said.
Sappi meets workers to discuss grievances

Staff Reporter

Worker representatives from the Emtra Mill in Springs met the management of the South African Pulp and Paper Industry (Sappi) yesterday to discuss worker grievances.

Sappi management agreed to negotiate with the workers' representatives after virtually all black workers at the mill downed tools on Wednesday, demanding more pay.

A Sappi spokesman said the meeting had taken place after workers had agreed to elect representatives to present their grievances to the company. Management had held talks with two representatives from each of the six departments at the mill and a representative of the Paper Wood and Allied Workers' Union.

The spokesman said workers had demanded a minimum basic wage of R2 an hour, but later reduced this demand to R2.70 an hour.

Other grievances were:
- That the 10% increase earlier this month had been eroded by pension deductions which rose proportionately with income.
- That meal hours were too short.
- That the cost of hostel accommodation had been increased to R2.70 per week.

Management refused to grant permission for the union to hold a report-back meeting of all workers at the Emtra Mill.

"As there are some 2,300 employees at the mill, this request was refused," the Sappi spokesman said. "But the company offered an alternative venue for the report-back meeting on a company-owned soccer field."

Negotiations are expected to be resumed on Monday.
Billion for expansion as paper giant roars ahead

Sappi profits leap by more than 75%

By Stephen Orpan

MORE than R608-million in finance has already been arranged for expansion plans worth more than R1 200-million for the pulp and paper industry.

This emerges from talks with financial institutions this week — and coincides with breathtaking annual results from Sappi, the country's largest pulp and paper group.

Having already revealed that their organisation alone will be spending more than R159-million in expansion and modernisation over five years, Sappi chairman Basil Landau and chief executive Eugene van As explained to me on Saturday that they were particularly pleased that much of the company's dramatically improved performance has come from higher productivity and the elimination of production and other problems.

The improved economic climate naturally contributed. But better efficiency in pulp and paper manufacture, and related areas, at our Pupela, Entra and Stanger works, were also a key factor.

The consolidated results for 1998 show turnover up to R417-million from 1979's R263-million.

Operating profit jumped from R37.7-million to almost R80-million and pre-tax profit from R31.3-million to R53.4-million.

Tax was almost unchanged at around R2.6-million. The benefit of the tax losses acquired through the purchase of the Stanger operation is dramatically reflected in the fact that the tax rate has declined to only 5% from some 20% in 1976.

Tax losses and investment losses brought forward also depressed the interest bill by 13%, despite the fact that the Stanger debt had to be serviced for the first time for a full year.

After-tax profit climbed some 76% to R56.8-million from R29.5-million, and ordinary shareholders' profit to almost R46-million from R25.8-million.

Earnings per share rocketed to 106.5c (69.2) and the dividend has been lifted from 50c to 75c to give an earnings yield of 23% and a div yield of 8.4% on a share price of 890c.

Mr Landau expects the buoyant conditions to continue this year.

A revaluation of land and buildings for the first time in nearly 40 years virtually doubled net asset value from 936c a share to just under 1 000c.

Reserves were likewise increased by no less than R112-million.

Output was lifted by 70 000 tons to just under 530 000 tons, and Mr van As attributes 50 000 of this to increased productivity.
A paper giant roars ahead

In the broad sense, despite the fact that Stanger was hit by drought, which effectively reduced Bagasse production by 60% while it lasted, this operation contributed R46-million to group profits — and the potential is now open for a contribution of at least R75-million a year.

Remembering that this plant was bought for a mere R24-million, along with a taxed loss of R52-million, it is beginning to look like a very good buy.

Sappi will not comment, but I gather that many of the group's operating units have been back into Stanger for tax loss recovery purposes.

By my calculations the debt-equity ratio is now some 3.3:1 (0.54:1), a low gearing which suggests much scope for future fund-raising for the R500-million expansion.

I also understand that the banks have been eager to help with financing — through leverage loosing as well as loans.

"Mr Van As will go no further than to point at the note about expansion in the statement of results. This says simply that "good progress has been made with the plans for our major expansion project and full details will be made known in the annual report."

Investigations through other parties suggest, however, that the R500-million has already been "accessed" and will pay for a mill with a capacity of at least 260,000 tons a year.

The cost of the new mill will depend on its siting, financing mix and so on. But it is whispered that finance at only some 7½% has already been tied up with suppliers.

Gross cash flow (profit and depreciation less tax) I estimate to have jumped from some R56-million to R74-million.

Sappi currently enjoys the lion's share of the overall paper and packaging markets in which it operates in SA and, expects this to remain little changed, or even to decline, as competitor Mondi Paper, brings its new paper machines, plus possibly its own pulp mill, at a cost of at least R400-million, at Richards Bay — saving the necessity for Mondi to import pulp.

Thereafter, however, Sappi's market share should push ahead again.

By A N Aldred

ADDITION

B. S. Buck

ACCOUNTING

J S Boor

COMMERCE

THE FACULTY OF COMMERCE
CARLPAPER TO SPEND R11m

BY HAROLD FRIDJHON

CARLTON Paper Corporation, a Sappi subsidiary manufacturing tissues and other paper products, plans to spend R11 million this year on expanding and modernising its production facilities, says Mr Basil Landau in his chairman's review.

This will enable the company to meet the expected increase in SA demand and continue with exports. It will also enable the group to launch new products.

He says Carlpaper's long-term success depends on three principal factors: growing consumer expenditure; the exploitation of new and improved technologies; and having a well-trained and motivated labour force.

The growth in the economy which started in 1990 is forecast to continue through this year, although possibly at a slower rate. This indicates further expansion in Carlton products.

Capital expenditure will improve productive facilities and extensive training will help the company to better its performance, although possibly not at last year's rate.

In 1988 all major markets grew, but Mr Landau points out that Carlpaper was able to increase its market share and achieve a real growth of 10%.

This growth in SA demand, together with exports, enabled plants to operate at full capacity. These productivity gains helped to offset "the spiralling costs of labour and raw materials", says Mr Landau.

COMMENT: An indication of the improved productivity is reflected in the return on shareholders' funds. In 1979, the return was 15.5%, but the figure rose steeply to 25.3% last year.

Taxed income of the group rose from R4 427 000 to R7 078 000, resulting in earnings rising from 28.2c a share to 44.9c. The dividend was raised by 1c to 26c. At yesterday's price of 290c this gives a yield of 8.5%.

Carlton is a well-managed, tightly controlled company. With an expanding market for the range of paper products, growth this year should result in a further upward movement in dividend payments. The shares are tightly held, but they are worth bidding for.
shares which has been evident on the JSE in recent months and is 21% below the 1980 high of 300c.

But while one could logically argue that the consumer durables market may be close to saturation after the surge in sales of cars and white appliances, the same need not necessarily apply to disposable products such as those produced by Carcor.

The share accordingly looks underpriced, although potential buyers should note that it is a counter which is difficult to trade.

**CARLTON PAPER**

**Rapid expansion**

*FM 203/81*

Activities: Manufactures and distributes tissue products. KCSA Holdings owns 78% of the equity and is itself 50,1% owned by Sappi, a Gencor subsidiary.

Chairman: B Landau; managing director: K J Partridge.

Capital structure: 15,7m ordinaries of 50c. Market capitalisation: R47,1m.

Financial: Year to December 31 1980.

Borrowings: long- and medium-term, R3,2m.; net short-term, R1,9m.

Debt/equity ratio: 28.7%. Current ratio: 1.5. Group cash flow: R8.6m.

Planned capex: R11m.

Share market: Price: 300c. (1980-81: high, 380c; low, 215c; trading volume last quarter, 80 000 shares). Yields: 15.2% on earnings, 8.7% on dividend.

Cover: 1.7. PE ratio: 6.6.

<table>
<thead>
<tr>
<th>Year</th>
<th>77</th>
<th>78</th>
<th>79</th>
<th>80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap %</td>
<td>20.0</td>
<td>26.4</td>
<td>24.7</td>
<td>32.2</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>313</td>
<td>339</td>
<td>386</td>
<td>772</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>41.7</td>
<td>59.0</td>
<td>50.2</td>
<td>60.8</td>
</tr>
<tr>
<td>Gross margin %</td>
<td>11.0</td>
<td>14.5</td>
<td>12.8</td>
<td>14.4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>18.5</td>
<td>27.3</td>
<td>26.7</td>
<td>46.8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>11.1</td>
<td>13.3</td>
<td>16.2</td>
<td>26.8</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>109</td>
<td>122</td>
<td>134</td>
<td>153</td>
</tr>
</tbody>
</table>

Although Carcor does not expect to maintain the 60% earnings growth rate of 1980, indications are that the company should continue to achieve results ahead of the industrial sector average for some years to come.

As far as the current year is concerned, consumer spending, particularly for disposable products such as tissue, is expected to remain high. Also, first benefits from the new non-woven fabric production facility commissioned last year will be realised. Chairman Basil Landau comments that this "exciting new technology" has opened up additional business opportunities both in the consumer and commercial markets.

Attributable earnings should also benefit from a lower tax rate as investment allowances on the R11m capital spending slated for the current year are brought to account. There should, in addition, be some profit contribution from new plant, although the full effect will not be seen before 1982.

According to MD Keith Partridge, the tax rate should remain low for a number of years as the company plans to maintain capital spending at the 1981 level through 1982 and beyond. The implication is that over the next two or three years the present fixed asset base could double, while profit growth from the additional capacity created, and new products introduced, should remain strong.

Partridge says that about R7m of this year’s R11m expenditure will be related to new products. One of the group’s long-standing objectives has been to increase commercial sales, so reducing dependence on the more fickle consumer market, and it can be assumed that a good deal of attention is being given to this in current spending plans.

The high level of capex is not expected to affect the liberal dividend policy (cover at present is only 1.7) because, as Partridge points out, cash flow is strong and this has led in recent years to a considerable de-gearing of the balance sheet. At December 31 the debt/equity ratio was under 24% (including inter-group loans) and borrowings could therefore be increased by at least R20m without any problems.

It seems likely that about half of this year’s capex programme will be funded by additional borrowings and that, by the year-end, the debt ratio will be somewhere between 35% and 40%. In future years, however, the increase is likely to be slower because of the additional cash flow derived from new profit sources and increased depreciation charges on the expanded asset base.

Unless the authorities take steps to cool inflation by curbing consumer spending, Carcor looks good for an earnings increase of at least 35% for 1981. With a corresponding increase in dividends, the payout should be in the region of 35c, yielding 11.7% at the current 300c market price.

The company has not escaped the general down-grading of consumer-oriented
with the more sparkling gains from other industrial companies. Earnings, which benefited from the capex tax shield, gained 33%, but this improvement was overshadowed by the other Gencor paper companies Sappi, Carbor and Ev Haddon. None of the others, however, can boast the productivity-based five-year strength of Kohler.

Because of the switch to lifo, the only comparable statistics in Kohler’s five-year record are turnover and dividends paid. Since 1975, turnover has advanced to an annual 30.7%, while dividends have increased 30% a year. And judging by Landau’s comments, 1981 could produce similar growth to that reported in financial 1980.

A major reason for the past five years’ strength is the emphasis on productivity. At the time of the preliminary announcement, MD Alan St Clair Gibson gave as an indication of the productivity improvements the fact that gross profit per employee had increased from R2 983 to R6 128 in four years. These improvements are expected to continue, helped to a large extent by new facilities commissioned towards the end of 1980.

This capital spending programme, which included a corrugated container factory in the Cape, a multi-wall paper sack plant in Natal and the Transvaal expansion at Robertville, meant a lower average tax rate of 34% (38.4%).

This year the tax rate is expected to move back towards 37%, but the new capacity will more than offset the adverse effect on earnings. In 1980 the additions to capacity and minimal revenue contribution meant a reduction in the group’s return on capital. The situation should reverse in 1981 as new units contribute to earnings and help keep down the cost structure.

To finance part of its expansion, Kohler has geared up from its previously under-utilised base. Year-end borrowings rose to R21.9m (R10.5m) for a debt:total assets figure of 23% (16%). This gearing, in part, explains why the return on average equity in 1980 rose to 33% (29%) despite the lower gross return. With interest and leasing charges covered 14.3 (17) times by gross profit, there is still plenty of scope before the group runs up against its debt ceiling. This suggests that while 1980 results were completely reliant on organic growth, 1981 may see some of the financial capacity used for acquisitions. Initially, this will probably focus on the smaller companies in the printing and packaging industry, but longer-term a move into glass or metal packaging seems on the cards.

The new look and informative annual report highlights the strong financial and product base Kohler has built up. On the basis that the economy does grow around 5% in real terms, Landau seems more than justified in budgeting for “very satis-

factory” growth. Earnings could improve around 25% in 1981 as new manufacturing units kick in and the benefits of gearing put in a stronger showing. With the likelihood of earnings around 210c this year, the dividend will probably be 100c, which makes the share look attractive at 1 025c.
Notes to Table 9

*Calculated on the basis that the cost of medicine for one inpatient day is the same as for one outpatient. For alternative assumptions see Table 10.

+ Assuming permanent clinic sees 1500 patients per annum.

Sources
4. Cape Provincial Administration records & Director of Hospital Services Reports; quoted in G. E. Bain, op. cit.

The object of the local hospital was to have a well-equipped and well-managed hospital which could meet the needs of the community. The hospital was intended to be the primary health care facility for the community. The hospital was intended to be the main referral hospital for the region.

Differences in cost between institutions are the result of so many factors that it would be impossible to identify them with so few studies. A few features, however, stand out.

Salaries are a large proportion of costs (about 6% of inpatient costs of all the South African hospitals). The generally lower salaries for doctors in Malawi account for part of lower costs there.

An influential factor in the cost of clinic and outpatient attendances is the disposition of doctors within the hospital complex. In one Malawi hospital medical assistants are paid a lower salary than in others.

Mystery Share Buyer in
Horrors, Trio-Rand Deal
Cape soon independent for packaging material

By James Lodge
CONSTRUCTION of a new R20-million factory to produce linerboard and fluting for the packaging industry is nearing completion at Milnerton in the Cape.

Production, with an initial target of 28 000 tons a year, is scheduled to begin in June.

Linerboard and fluting are used to make corrugated boxes and the completion of the factory, a Sappi undertaking, will represent a major strengthening of the packaging industry in the Western Cape. In the past, local packaging plants have had to bring in their linerboard and fluting requirements from other areas, mostly from Natal.

Local production will consequently mean a substantial saving in transport costs for the packaging industry.

Sappi, which produces about two-thirds of this material for South Africa's paper packaging requirements, expects that the new Cape Kraft mill at Milnerton will be able to supply about a quarter of the Western Cape's total needs for all grades of kraft products.

The principal raw material to be processed at the new mill will be recycled paper and this will limit output to certain grades of linerboard and fluting.

But, according to Sappi, it will be possible to increase the mill's output for a relatively small additional cost by 10 000 tons a year and the range of products could be expanded.

The basic infrastructure which will make expansion possible has been provided in the planning of the new mill and a second machine could be installed at a low cost.

The company has in the meantime collected a large quantity of waste paper for processing when the mill goes into operation.

When fully operational the mill will employ about 100 people under the general manager, Roland Mazery.

Sappi has for some time been recycling waste paper at its Adamas plant in Port Elizabeth and it also has a mill at Stanger using bagasse, the waste from sugar cane, for the production of writing and printing papers.
Sappi will spend more than R600m on expansion

JOHANNESBURG—The South African pulp and paper producers, Sappi, plans to spend more than R600-million on the expansion of its facilities, as rapid growth in the demand for paper in South Africa has already boosted Sappi’s sales from R205-million two years ago to R347-million in 1980.

The chairman, Mr Bassi Landau, says in the annual report published yesterday, that he expects paper consumption in South Africa (which has doubled over the past 10 years) to continue to grow at one of the fastest rates in the world.

He says: “We plan to increase the pulp-making capacity at the Ngodwana mill by approximately 280,000 tons per annum and to install a new modern newsprint machine to supply the local market.

Once this machine is commissioned it is planned to convert the existing newsprint machine at Enstra, near Johannesburg, to the production of printing and writing-paper grades.

When the pulp plant expansion has been completed, a new Kraft linerboard machine is planned, also for Ngodwana.

Output

The project will increase Sappi’s output by more than 40 percent.

By the nature of the project there will be an extended construction period which will last for approximately four years and the escalation component of costs is likely to be high.

However, Mr Landau says that satisfactory arrangements had been made with financial institutions for the funding of the expansion. He was confident that Sappi would be able to maintain its objective of showing a dividend growth rate in excess of the rate of inflation each year during the expansion period.

In the past two years Sappi has done much better than that. Earnings per share have grown from 50.5c in 1978 to 138.5c last year and dividends have jumped from 22c to 57c in spite of the increased dividend cover, which now stands at 2.8.

During the year, the new timber products division was established and the group also moved into the collection of waste paper to service the new paper mill it is building in the Western Cape.

Mr Landau says that waste paper supplies for this new R290-million mill, which is due to commence production trials towards the end of May 1981, were assured. —(Sapa)
Accelerating growth

Activities: Supplies paper, machinery and allied materials to the printing industry. Gencor controls 55% of the equity.

Chairman: H A Smith; managing director: P A McGurk.

Capital structure: 2.8m ordinaries of 50c; and 80 600 6% cum red prefs of R2. Market capitalisation: R18.8m.


Return on cap % .... 18.4 17.8 20.2 30.2
Turnover (Rm) .... 10010 121.6 158.6 214.2
Pre-tax profit (Rm) .... 2.4 3.1 4.8 7.6
Gross margin (ratio) .... 1.00 1.09 1.25 1.47
Earnings (c) .... 49.9 66.7 91.1 104.8
Dividends (c) .... 24 27 35 54
Net asset value (c) .... 343 477 540 642

Evelyn Haddon's sustained profit improvement since 1976 was further enhanced during 1980 with pre-tax profit growth increasing to 60% from 45% in 1979. The group benefited both from the continued economic upturn and improved operational efficiencies. This is reflected in the fact that profit growth was almost double the 35% rise in turnover.

Although expenses rose significantly, particularly raw material costs, the higher volumes gave better overhead recovery and improved warehousing facilities in Maritzburg, Cape Town and East London also appear to have contributed favourably.

Chairman Hugh Smith comments, however, that the paper division was hindered due to problems in the supply of paper from local mills. This forced the company to import certain grades and it was also obliged to maintain stock at a higher level than would otherwise have been the case.

Thus, the balance sheet shows stock up 49% — 11 percentage points more than the increase in turnover. But, in terms of overall working capital requirements, the company scored from disproportionate increases of 23% for debtors and 42% for creditors, so that the rise in working capital remained in line with turnover.

Nevertheless, the additional R7.3m which the company had to invest in working capital may well explain why dividend cover was again increased. Over the past year cover rose from 2.7 to 2.9, while since 1976 it is up from 2.1.

However, working capital needs over the past year could have easily been financed with borrowings. As it is, total debt declined slightly to R10m (R10.8m) and, with the growth of shareholders' funds from profit retention, the debt/equity ratio dropped to 55.5% (69.5%). Given a gross return on capital of over 30%, this financial structure is very conservative for a trading company.

Evelyn Haddon should, therefore, be able to increase dividends in line with earnings growth. With demand still strong, earnings of 200c (195c) look possible for 1981, and the payout on this basis could be 68c (54c).

If this kind of performance is achieved, the share at 730c yields a prospective 9.5%. Smith says no significant reduction in working capital requirements are foreseen in 1981 but, with an improving outlook for the supply position, the share appears to be a stable investment.

Evelyn Haddon's Smith ... benefiting from volumes

which must be offered discovered in part (4), how much the government input.

Would answer mean that is impossible?
Against a background of healthy economic conditions in 1980 and thanks to the efforts of an enthusiastic management team, I am indeed fortunate in my first review as Chairman of Sappi to report on the excellent results achieved.

The 1980 profits have established a new record for the company.

Group taxeplus profits rose to R50.0 million, almost three times the profit figure of only two years ago. Earnings attributable to ordinary shareholders increased by 76% to 158.5 cents per share, notwithstanding an increase in dividend cover, dividends were raised from 36 cents to 57 cents per share.

The increased capacity created as a result of the implementation of plant improvements completed late in 1979 and in 1980 was put to good use to meet the strong market demand during the past year. The mills ran close to their maximum practical capacity and increased production by approximately 13% or 70,000 tons of paper, board and tissue. A portion of the increased output arose from the Stanger results being included for the full twelve-month period.

The expanded pulp plant at Enstron is now operating at full capacity and has achieved a satisfactory profit-making position. This had a significant impact on group results.

Carlton Paper Corporation in which Sappi owns a 25% share had an excellent year and after-tax profits increased by 60%. Carlson contributed R10.5 million to the consolidated group profit (pre-tax).

The acquisition of Stanger Pulp and Paper (Pty) Limited in June 1979 has been amply justified. This increased capacity has been invaluable to our group's activities and despite the severe drought in Natal, which caused an increase in costs of raw material, as wood pulp was used to supplement the shortage of sugar cane fibre, we are well satisfied with the contribution to group profits from this acquisition.

Despite the increased local market demand, Sappi was able to maintain footholds in its established export markets. I believe that this is an important factor for the future and Sappi now has the potential to develop export markets, particularly in other African countries and in the Far East.

New paper mill in the Western Cape

The new waste-based Kraft paper mill under construction at Milnerton near Cape Town is at an advanced stage of construction and we expect to commence production trials during May 1981. This mill represents another significant innovation for Sappi as it is our first mill entirely based on waste paper. The mill will cost approximately R20 million and will afford an on-the-spot source of Kraft paper for the packaging converters in the Western Cape. With continually escalating transport costs, this must ensure a saving for industries which require packaging in the Western Cape.

Timber products division

Sappi's plantations have now been established for many years and an increasing number of trees are now reaching maturity. This has enabled us to diversify into the solid wood products market as a natural extension of our forestry operations. The established practice of European and American pulp and paper producers is being followed by increasing the value earned from timber and the Sappi Timber Products Division has been formed to implement this philosophy.

Sappi Timber Products is able to profitably utilise about 45% of a log of timber and the remainder can be converted into chips for pulp. Thus the entire tree is used to best effect including bark and sawdust which can make a substantial contribution to our fuel requirements.

Sappi Timber Products has commenced operations with a small sawmill at Ezenj in Sappi's Natal plantation area and a larger sawmill at Elimkwal close to our Ngqowana mill. We are also going ahead with the construction of a modern high-speed slicing mill at Elimkwal at a cost of R16 million. As part of a planned major expansion of the Ngqowana mill a modern sawmilling operation will be established into which the present Elimkwal operation will be phased in due course to be integrated.

People

The total number of people employed by the group increased by 4.3% to 11,331 at the end of the year. The increase was largely as a result of the establishment of the Timber Products Division and the waste paper collection operation. At the same time turnover increased from R202 million to R341 million. There was thus a 2% improvement in productivity expressed in terms of sales value per employee. This substantial increase in productivity of our operating units is extremely encouraging and reflects the effectiveness of sustained training programmes and a more efficient organization of our labour force.

Sappi supports the changes in labour legislation as a result of the recommendations of the Wichhahn and Rieker Commissions. We fully endorse the policy of providing opportunities and benefits corresponding to the abilities of all people who serve our company without discrimination. A programme has been introduced to assist management and employees in their approach to industrial relations. This is particularly necessary with the rapid changes which have taken place in the South African labour environment. Our policy regarding trade unions has been redefined and the group accepts the right of all employees to become trade union members and to negotiate on a collective basis.

Expansion

Although South Africa's per capita paper consumption of 40 kilograms per annum is very much higher than the average for Africa, it is seven to eight times less than the United States. We anticipate that in the next decade, with increased education and higher standards of living for all people in South Africa, the demand for paper for printing, writing, packaging and for domestic use will continue to grow at one of the fastest rates of any country in the world. Sappi has already reached near capacity levels in its existing pulp and paper making facilities. In order to cater for this expected continued rapid growth we are planning to build a new paper mill at Elimkwal and a new pulp mill at Elimkwal.

Financial Mail April 17 1981
The major expansion is planned at Ngqushwa where the timber resources, adequate water supply and the existing mill infrastructure offer considerable economic advantages.

We plan to increase the pulp making capacity at the Ngqushwa mill by approximately 250,000 tons per annum and to install a new modern newsprint machine to supply the local market. Once this machine is commissioned it is planned to convert the existing newsprint machine at Intra near Johannesburg to the production of printing and writing paper grades.

When the pulp plant expansion has been completed a new mill for corrugated board is planned to meet the increase in demand of the local market. The capacities of these new machines will exceed the expected requirements of the market when they are installed and substantial tonnages will be available for export. Agreements in principle have been concluded for the sale to overseas customers of both newsprint and paper which will be supplied to local requirements. The engineering investigations for the project are now well advanced and the estimated total cost has risen because the current rate of inflation and minor changes in scope approximately R600 million in 1980 values. It is proceeding rapidly and the board will consider the timing of the project in the near future. By the nature of the project there will be an extended construction period and the escalation component of costs will be high. Despite arrangements have been made with financial institutions for the funding of the expansion.

Notwithstanding the magnitude of this expansion, I am confident that Sappi will be able to maintain its objective of showing a dividend growth rate in excess of the rate of inflation in each year during the expansion period.

Economic conditions

The fall in the gold price, the rise in interest rates and the resulting fall in share prices have led to a degree of decline in the optimism which existed in South Africa in the latter part of 1980. Notwithstanding this, the real growth rate for 1981 is likely to be in the region of over 5% and this, after a year of exceptional growth in 1980, should see South Africa again being one of the fastest growing economies in the world. But this should not be seen as a foregone conclusion. To meet the forecast growth rate, management will have to face the challenge of overcoming the critical shortage of skilled labour and the inflated costs of materials. These can be mitigated through better planning and training, maximising of our human resources by better training, thereby improving productivity — the ultimate solution to the inflation problem.

Import control

A matter for concern for primary producing industries is the Government's policy relating to import control. We welcome the stated intention of the authorities to progressively move away from import control and towards tariff protection. However, the current mechanisms available for establishing tariff protection are slow and cumbersome.

It is essential that tariff adjustments and anti-dumping duties can be rapidly applied if the current system of permit control is to be abolished. This is particularly true where major overseas producers in depressed areas are prepared to dispose of excess stocks by dumping them onto any available market.

The current tariff protection system offers little or no protection to South African Industry. By way of example, coated paper products enjoy no duty protection whatsoever and Sappi, therefore, has to compete with international suppliers who sometimes supply these products into South Africa at prices below the domestic prices in their countries of origin. Sappi's application for tariff protection on these commodities, which has been outstanding for nearly two years, has still not been granted.

If local industries are to be encouraged to invest in future development, this situation will have to be corrected without further delay. This matter has been taken up with the Department of Industries, Commerce and Tourism and hopefully corrective action will be taken immediately.

Outlook

The demand for our products continues to be strong and I believe that we will continue to use all available capacity to meet local and export requirements. With the expected improved sugar cane crop and supply of bauxite we will be able to step up our production of pulp at Stanger. The new mill in the Western Cape will come on stream during the year adding 28,000 tons in capacity and, accordingly, I expect that profits for 1981 will show a further material improvement.

Board of directors

During 1980 Mr John E Henderson retired from the board and I would like to record our appreciation to him for his unfailing and enthusiastic support of the company over a period of more than forty years.

Mr Henderson began his association with Sappi as a chemist soon after the company's formation in 1950. He retired as chairman in 1977 after serving in that capacity for six years.

Mr E Pattie, who handed over the chairmanship of the company to me last year, has remained on the board and I am grateful that we will continue to benefit from his experience and guidance. Also, I would like to express our appreciation to him for his considerable contribution to Sappi in the past years.

Four new board appointments were made in March 1981, namely: Mr K R Lechmere-Oertel, managing director, Sappi Fine Papers.

Mr T C Rice, an assistant manager of Union Corporation Limited.

Mr A W Rodger, group technical manager.

Mr F Willis, managing director, Sappi Kraft.

I welcome these gentlemen to the board and I am confident that they will make a meaningful contribution. The board joins me in offering our sincere thanks to the group managing director, Mr Eugene van As, and all his colleagues who worked with dedication and enthusiasm to achieve the superb results which are a credit to them, one and all.

Appreciation

A company's success is due to the support it receives from a multitude of people, including its suppliers of materials and services, the various Government departments, the members of the board of directors and especially its customers. To all of them we record our deep appreciation.
Ready to expand

Activities: Largest producer of pulp and paper in Africa, with an annual capacity of 800,000 t of paper and tissue. Carlton is a listed subsidiary. Controlling shareholder is Gencor with 56.6% of the equity.

Chairman: B Landau; MD: E van As.

Capital structure: 29m ordnaries of R1. Market capitalisation: R229m.


Share market: Price: 790c (1980-81: high, 880c; low, 490c; trading volume last quarter, 469,000 shares). Yields: 19.6% on earnings, 7.2% on dividend. Cover: 2.7. PE ratio: 5.1.

With chairman Basil Landau forecasting that paper demand in SA will show one of the fastest growth rates in the world over the next decade, it is a little surprising to find Sappi trading at 7.5% historic dividend yield. This effectively rates the share at a discount of over 20% to the industrial market.

One possible explanation is that the market might be a bit apprehensive about the effect of the group of the massive expansion which will be needed to meet this demand. With most divisions already operating close to capacity, Sappi is planning to spend R600m at current prices over the next four years to increase output by more than 40%.

And to put this into perspective, it is worth noting that existing fixed assets have an undepreciated value of only R460m, even after a R112m revaluation last year.

One quite frightening aspect of this expansion is the extent to which costs are escalating. Essentially, plans have not changed significantly since the group announced in the 1979 annual report that it would be spending R560m on expansion. So the extra R100m reflects mainly cost escalations, which work out at a rate of some R274 000 each day.

Fortunately, however, after a year of investigation and planning, the proposals are now close to the stage where they can be put to the board for final approval. And after that, progress is likely to be somewhat tangible.

Not that the company has been dragging its heels. Last year, Landau's predecessor, Ted Pavitt, said the programme was scheduled for completion by the end of 1981, and this is still the intention.

A major portion of the funds will go to expanding the Ngodwana mill. Pulp capacity is to be increased by 360 000 t/year, a new newsprint machine will be installed, and kraft linerboard capacity will also be increased. Thereafter, the existing newsprint machine at Elntra will be converted to the production of printing and writing paper grades.

In all instances, capacity after completion will exceed projected local requirements and Landau says substantial tonnages will be available for export. Agreements in principle have already been concluded for the sale to overseas customers of surplus pulp and paper.

Financing this programme - the most likely area of market concern - should not present any major problems. Based on last year's cash flow, and allowing for a modest 15% annual escalation over the next four years, the group should be able to provide about half its capex requirements internally. And with the asset revaluation and further borrowing repayments in 1980, additional debt capacity over the same period should be in the region of R500m, working on a 1:1 debt:equity ratio.

The market may, however, have been confused by a statement in last year's annual report that the group's self-imposed debt ceiling was only 50% of equity funds. This should, it appears, have been 50% of total capital employed, which is, of course, the same as a 1:1 debt:equity ratio.

For the current year, all divisions are looking to improved results. But the outlook appears most promising in the kraft sector, where additional capacity will become available when the waste-based mill at Milnerton, Cape, comes on stream towards mid-year. A material improvement is also forecast at Stanger, which was adversely affected last year by the drought in Natal.

Assuming even a 30% gain this year, the dividend total should not be less than 74c, which puts the share at 790c on a prospective yield of 9.4%. As the company does not expect dividend growth to be slowed by its expansion programme, this looks to be excellent value, given long-term growth prospects.

Brian Thompson
The man glares at me. "Never! Never! Never!" He spits the words spitefully, petulantly, like a spoilt child.

"Goodnight!", he snaps. And slams the car door.

On the outskirts of a dorp near Durban, in Natal, boxing fans of all skin colours crowd round a crude ring in the veld.

The boxers step through the ropes. The fans cheer and jeer good-naturedly. On the left is Killer Craig. On the right is Might Tallman.

Craig is a young White man. Tallman, a Black.

There is nothing fancy about the scrap that follows, though some hefty punches are exchanged. Horseplay rather than boxing. Lord Lonsdale would have cried into his gin. But fun.

Just the locals’ way of entertaining themselves on a Saturday afternoon. Apart from it’s forgotten. In that dorp, anyway.

Allen Pizzy is a Canadian journalist who in 1975-76 was based in Johannesburg for The Star, the city’s afternoon English-language newspaper.

A few days before Christmas, 1975, he had an experience which he, in his sanity, thought extraordinary. Older hands in this city, I am told to report, shrugged Pizzy’s experience off as pretty typical of what goes on here and so what.

It is eight o’clock on a Saturday night on the corner of Kerk and Joubert Streets. An old White man struggles on his hands and knees. Bright crimson blood wells out to the pavement from a deep stab wound in his head. A number of people pass him by. No one stops to help.

By chance, Allen Pizzy spots him while waiting for a red light.

"Thanks, man. Can you help me home?" the old man gasps.

He tells Pizzy two Blacks had grabbed him from behind and demanded money. The old man had R2 and would not give it to them. They stabbed him and ran.

Pizzy drags the Stats dazed victim to his car. The gaping wound above his eye is pouring blood. In less than a minute it soaks through the chamois leather from the Canadian journalist’s car.

The old man needs a doctor so Pizzy drives off in the general direction of the hospital. He is fairly new to Johannesburg and not sure of the way. He stops alongside two young White policemen. He begins to explain the old man’s plight and that he isn’t sure how to get to the hospital, but the policemen cannot or will not speak English, even when the Canadian explains in fractured Afrikaans that he is a foreigner.

After a few moments of silence from the young policemen, who simply stare at the bleeding victim of the street assault, one of them overcomes the language barrier with, "Wait while we call an ambulance."

For some reason it is going to take two of them to find and dial a telephone, and off they trot, leaving the old man and Pizzy on the corner.

Tea min.

Balance, the "Right, the policeman... words.

They find After a on. direction, his pain was finally killed. The atter chair, and to remain... The atter bleeding a excuses from.

All that address. B Driving gingerly of Allen P.

"Merry Down a its supemac saving the "A go dust-girl caught me... Not fit artisans allow B.

On the Johan An is what to. "The country rap... They d.

Cetl signed Africa

A new yeast-based fort paper mill is also under construction at Millerton near Cape Town and production is expected to commence in May.

Recently the re-building of the No 4 paper machine at the R2.5 million at the City from a machine that was commissioned at a cost of 400 million later. It is expected to increase the unit’s capacity by some AFRICA's largest producer of to spend more than R600 million on the expansion of its Tas calls, including a new saw mill, in a partnership with the Department of Minerals and Energy. The new unit will come on stream towards the end of 1979.
4) BREAKS OF HOUSEHOLD EXPENDITURES.

Food: Amount of money spent on milk, meat and eggs per month (Table Twenty Nine)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Total</th>
<th>Percentage of Malnutrition</th>
<th>Percentage of Non Malnutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>2%</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>R1.1-5</td>
<td>46%</td>
<td>6%</td>
<td>35%</td>
</tr>
<tr>
<td>R6-10</td>
<td>20%</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>R11-115</td>
<td>6%</td>
<td>5%</td>
<td>95%</td>
</tr>
<tr>
<td>R16-220</td>
<td>4%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Food: Amount of money spent on all other food per month (Table Thirty)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Total</th>
<th>Percentage of Malnutrition</th>
<th>Percentage of Non Malnutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>2%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>R1.1-10</td>
<td>10%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>R11-220</td>
<td>56%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>R21-330</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>R31+</td>
<td>4%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2%</td>
<td>4%</td>
<td>96%</td>
</tr>
</tbody>
</table>

Food: Per capita monthly expenditure on food (Table Thirty One)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>0%</td>
</tr>
<tr>
<td>R1.1-2</td>
<td>22%</td>
</tr>
<tr>
<td>R1.1-2</td>
<td>42%</td>
</tr>
<tr>
<td>R21-33</td>
<td>20%</td>
</tr>
<tr>
<td>R31+</td>
<td>14%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2%</td>
</tr>
</tbody>
</table>

Total monthly expenditure on food, cleansing materials, fuel and other liabilities (Table Thirty Two)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1-315</td>
<td>10%</td>
</tr>
<tr>
<td>R16-330</td>
<td>40%</td>
</tr>
<tr>
<td>R31-345</td>
<td>3%</td>
</tr>
<tr>
<td>R46-860</td>
<td>8%</td>
</tr>
<tr>
<td>Unknown</td>
<td>2%</td>
</tr>
</tbody>
</table>

(15)

Per capita expenditure per month (Table Thirty Three)

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage of Total</th>
<th>Percentage of Malnutrition</th>
<th>Percentage of Non Malnutrition</th>
</tr>
</thead>
<tbody>
<tr>
<td>R9-R3</td>
<td>64%</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>R4-R7</td>
<td>30%</td>
<td>34%</td>
<td>66%</td>
</tr>
<tr>
<td>R8+</td>
<td>2%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Saying in mind that the rural areas are increasingly becoming consumers rather than producers - the pattern of expenditure was considered to be a possible factor in malnutrition. The figures indicate that households spending less money had a higher incidence of malnutrition.

SISTERS BY SUSAN DALLAS

When, however, such people are in situations in which a
Nampak sights on higher earnings

By Mervyn Harris

Packaging group Nampak increased profit attributable to ordinary shareholders by 37 percent from R15.8-million to R21.7-million in the six months to March and forecasts higher earnings for the second half of the year.

The interim dividend has been raised from 21c to 28c.

Earnings a share were up from 57c to 66.4c on the increased capital.

Sales jumped 88 percent from R154-million to R284-million.

Income before taxation increased from R26.8-million to R38.3-million. These increases include the results of the companies acquired by the group from October, 1980.

All major divisions reported improved profits in spite of increased competition. However, margins in certain divisions have been eroded by excessive and unexpected increases in the price of basic raw materials, which could not be recovered through increased selling prices.

ECONOMY

The group does not expect immediate returns from its capital expenditure programme.

Group earnings for the second half of the financial year are traditionally better than the first half. Benefits from rationalisation should also help offset the lower expected growth in the economy this year.

The group thus expects the percentage improvement in earnings for the full year to be higher than those for the first half-year.
Kohler in major expansion

By Andrew McNulty

CAPITAL expenditure by Kohler Brothers, the paper and packaging group, could total R86-million over the next three years.

The group managing director, Alan St Clair Gibson, said this week that spending is expected to continue at this rate over the next few years.

The Kohler group is aiming its expansion programme at raising production capacity by about 30% and also improving productivity through better efficiencies and economies of scale.

He said the group expects to achieve growth in the R1-billion packaging market by grassroots ventures, which would have to include major projects to impact on the R136-million group.

"We have a number of these up our sleeves," he said.

Mr Gibson estimates growth of the packaging market at

---

Bigger Kohler outlay

From Page 7

about 5% a year, or higher than the GDP growth rate.

Major attention will be paid by the group to the flexible packaging market, already a significant new market and considered the main growth area with a rate of about 19% a year.

Mr Gibson was interviewed at the opening in Cape Town of Kohler's new R86-million corrugated container factory, said to be the most advanced of its kind in the Southern Hemisphere.

An identical plant is planned for the Transvaal.

The current years' budget, which excludes the Cape factory, will be spent mainly in Natal, the most important component being a R86-million expansion of the flexible packaging plant at Pinetown.
Sappi says that it applied for tariff protection because the domestic market had become a target for dumped paper from the Nordic countries. There had been a protracted period of international oversupply because of the recession and it had not been possible to apply countervailing duties because no tariff structure had been in existence for coated paper. The duty affects heavy grade paper in the range R265/t-R900/t and is favoured for the production of so-called coffee-table books, in which Struik seems to specialize.

In a statement to the FM, Struik says "government has constantly urged the small businessman to seek export markets. We have also been urged to fight inflation. As far as the publishing industry is concerned, the new duty will negate both these exhortations. Some publishing houses may even have to close down."

He gave the following example of how the duty will affect costing of a book about to be published: "Paper forms a very large part of a publisher's costs and the 20% duty has meant that the unit cost of this particular book increased by 40c a copy. With the royalty situation and booksellers' discounts this means an increase in the shelf price of R1.60 a copy."

To which a Sappi spokesman responds: "With that kind of value added, the book trade must be very lucrative."

Struik says his company relies heavily on exports (nearly R600 000 last year) to stay alive. Foreign buyers do not like Sappi's Duluzia fine papers.

Says Struik: "There is no way we will consider using the Sappi paper for our quality export books. Even with the increased cost of imported Danish paper arising from the duty we will continue to use it for export books. There is still very little difference in the price of Danish with comparable weight but poorer quality local paper. Danish is in fact still cheaper."

A Sappi spokesman said he failed to see what the fuss was about. If anything, Struik's statement confirmed that the protection given by government was not excessive.

Struik, however, says it is incongruous that Sappi should be trying to break into export markets with offerings of coated paper at R800/t, compared with a domestic selling price of R1 075/t. "This means that Sappi is either dumping its production on foreign markets, or it is making inordinately high profits on domestic sales." He understands Sappi made R396 000 from export sales last year, a figure Sappi will neither confirm nor deny.
On Pulping Mills

Planning

Paper

Plume deflection

May 1956

I'm 518
be short of nurses but compared to the nation, "maeche."

For 23 years, Roberta has been working as a nurse for the past 40 years, working in hospitals and clinics. She states that she was able to continue

The theme of "South Africa" seems to be present throughout the document, referring to the country's political and social issues.

In 1979, there were 537 registered nurses in South Africa, but since then the number has increased significantly.

In the next five years, safety will be a primary concern. The health care system in the country will continue to improve, and the number of doctors and nurses will increase.

At the age of 70 years, the doctor moved to doctor over the age of 70 years, the doctor moved to the new country. The doctor gave a population to doctor 1979 and another 7968.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

During the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.

In the course of 1979, doctors were given a population to doctor 1977 and another 7556.
Paper-and-pulp trade ready for huge expansion

By Frank Jeans

Industry is on a massive paperchase which has forced producers to embark on high-capital expansion plans to keep up with demand.

Indeed, it is estimated that total new investments over the next five to eight years could total $500 million.

This amount is scheduled to be spent in extending pulping capacity, the installation of large-scale paper machines and the modification of existing machines.

**BANK FINDING**

Looking at the big plans ahead for the paper industry, Standard Bank in its latest Review says three potential projects are under consideration which would increase chemical-pulp capacity by as much as 600,000 tons a year to 1,500,000 tons by the late 1980s.

Demand for pulp and paper has risen faster in recent years. After declining by 2.6 percent to 986,000 tons in 1977, paper consumption surged ahead last year by an estimated 12 percent to about 1,350,000 tons.

Projected figures for this year point to a 15 percent jump in demand for fine papers and tissue papers and a 9 percent rise in paper-packaging materials.

Paper production expanded to 1,300,000 tons last year but local facilities have not been able to keep pace with the increasing demand, says Standard.

Pulp-and-paper producers usually follow a policy of building up inventories to minimize the penalty of increasing costs as a result of lower production.

Paper inventories reached a peak of more than 92,000 tons in 1977. By last year, stocks had dropped to below 30,000 tons and, despite the availability of large inventories, the industry was compelled to rely increasingly on imports to meet future requirements.

In the first 10 months of last year, imports of paper products were 70 percent higher in volume and 80 percent in value terms than in the same period of 1979.

Consequently, imports accounted for an "unusually high" 18 percent of total domestic paper consumption last year.

**TURN AROUND**

Pointing out, however, that the paper market's long-term prospects are among the "most encouraging of any sector of the economy," Standard says that the new surge of investments will probably result in a turnaround of the import-reliance situation and that higher quantities of pulp and paper will become available for export in the next few years.

South African pulp and paper have several advantages over foreign competitors. Energy costs are relatively low because of the abundance of coal and the average hauling distance for timber from forests to mills is, in most cases, considerably shorter.
Increasing cover

Activities: Supplier and manufacturer of commercial stationary. Formerly Horsers Waltons after merger with Horsers stationary division.

Chairman: J M Parrington; managing director: F E Pezzato.

Capital structure: 2,7m ordinaries of 5c. Market capitalisation: R9,9m.


Borrowings: long- and medium-term, R4,5m; net short-term, R936 000.


Capital commitments: R120 000.

Share market: Price: 385c. (1980-81: high, 390c; low, 250c; trading volume last quarter, 43 600 shares). Yields: 25,1% on earnings; 8,8% on dividend.


Return on cap (%) ....... 20.8 37.6 37.3
Turnover (Rm) ............... 18.2 25.8 33.6
Pre-tax profit (Rm) ....... 1.7 2.9 4.0
Gross margin (%) .......... 10.4 11.2 13.0
Earnings (c) ............... 40.0 58.4 91.0
Dividends (c) .............. 21 28 32
Net asset value (c) ....... 140 171 230

Waltons shareholders can expect dividend growth rate to at least be maintained in spite of the fact that cover rose from 1.9 times in 1979 to 2.3 times in the year to February 28 1981.

The debt:equity ratio of 63% in 1980 could have been one of the factors leading to the rise in dividend cover from 2.3 times in 1980 to 2.9 times; but the likelihood of a further increase to 3 times suggests the group has reached its internal borrowing target.

Chairman Maurice Parrington does not expect the rise in earnings to match the 63.8% improvement to 91.6c achieved in 1981. He anticipates only a "decent" profit increase in spite of the predicted downturn in the economy later this year.

Sales rose 35% to R43,9m (R25,2m). Better productivity led to an improvement in operating margins from 10.3% to 12.0%. New acquisitions in stationery and toy distribution and re-organisation of existing branches had a substantial effect on profit improvement, Parrington says.

Pre-tax profit rose 55.5% to R4,0m (R2,5m). Attributable income from newly acquired subsidiaries totalled R94 000.

Expansion this year will be largely internal although MD Frank Robarts says there are a few acquisitions in the pipeline.

According to Parrington, the group will concentrate on the growth of newly acquired stationery supplier Picie Appleton and Akal Toys, the toy distribution company.

The increase of R3m in long-term borrowings to R4,5m was, says Robarts, the result of last year's acquisitions. This was the main cause for the debt:equity increase from 65% to 88%. The board is examining the possibility of strengthening the capital base, Parrington says.

The current ratio is up from 1.6 to 1.8 and Parrington views the liquidity position as being "satisfactory". Group cash flow was R2,5m in 1981.

Parrington does not expect Waltons to be adversely affected by the economic slowdown. "Stationery is not slump-proof, but it is a commodity which is always needed, whatever the economic conditions. Any tail-off this year should not be too great," he says.

Parrington's optimism is a guideline. Earnings could reach 11c this year and if dividend cover increases to 3 times, a payout of 50c would be on the cards. At 370c a share, the prospective yield is 11.0%. The market seems cautious, perhaps unjustifiably so.
processed despite the breve capital outlay.

It is noteworthy that the company has been able to negotiate favorable terms with suppliers, which has allowed it to maintain a steady flow of production. The company's strategy has been to focus on quality rather than quantity, which has resulted in a strong market presence and a loyal customer base. However, the company is aware of the competitive landscape and continues to innovate to stay ahead of the curve.

In conclusion, the company's financial performance has been strong, and it is well-positioned for future growth. The management team is committed to maintaining this momentum and ensuring the long-term success of the business.

[Diagram of a large industrial facility]
Sappi mill will cost R800-million

By Ann Crotty

Sappi is to build an integrated paper and pulp mill at Ngodwana in the Eastern Transvaal at a cost of R800-million.

It is one of the largest single undertakings by a private enterprise in South Africa. The R800-million is the amount of money that Sappi actually expects to lay out, taking into account both inflation and the timing of payments to suppliers and contractors during the 4-year construction period which will begin in four weeks’ time.

The project was originally calculated to cost R600-million in 1980 terms. Three-quarters of the R800-million is expected to be spent on new equipment, which is going to international suppliers of specialised equipment.

Sappi, which is 56 percent owned by Goncor, currently supplies half of South Africa’s pulp and paper needs.

The additional output from the new mill will raise its overall capacity from 600,000 to 860,000 tons of pulp, paper and tissue a year.

It will make Sappi self-sufficient in pulp requirements and leave a substantial amount for export.

The Sappi group exports about 10 percent of its production of paper, board and tissue, earning the country approximately R17,5-million a year in foreign currency.

This will more than double when the new mill is on stream and exporting about 20 percent of its pulp output and up to one-third of the kraft liner and fluting output.

The overriding consideration in finalising the finance package will be, said a news release, for Sappi to stay within its borrowing ratios and to offer shareholders’ real growth in earnings and dividends a share.

There are five sources of funds:

- Long-term finance from South African banks which will be utilised in the form of suspense sales, leasing and long-term loans. At about R400-million this will be the biggest part of the finance package. The rate of interest will be linked to the bank rate and because of the form of the loan the interest will be effectively less than the prime rate.
- Up to R100-million in the form of export credits from countries supplying imported equipment which will be available at fixed rates of interest of about 8.5 percent.
- Cash flow, which was R75-million last year. Other capex requirements are not expected to use more than R30-million of this a year.
- Shareholders will be offered a mix of convertible preference shares and ordinary shares in rights issues to be made between 1982 and 1984. This will enable the company to remain within its 1:1 debt/equity ratio.
- Euro-currency loans will be used to take best advantage of interest rates but the amount raised is unlikely to exceed R30-million.

N D G SEE

fifth years report
II and III in the course of this past study
for the best side

p R Jwiff
professional paper
the highest marks
for the student of our committee of the key
for the best still
BELL-JOHAN FRITZ

(continued)
Boiler explosion at
Mondi mill kills two

Own Correspondent
DURBAN — Two men were killed and nine injured, two seriously, late yesterday when a boiler which had been put out of operation by an Escom power failure exploded when an attempt was made to relight it.

The chief engineer of the Mondi Paper Company, Mr B E Schindler, said the accident happened at the Morebank mill. Damage is extensive but production has not been affected.

Mr Schindler said the two men killed were an Indian operator and an instrument handyman. A white man, a black and seven Indians were injured. At the time of going to press their names were not available.

The accident happened after the power failure at about 1 pm yesterday after the mill had been brought to a standstill as auxiliary equipment for operating the mill is powered by electricity.

When power was restored an attempt was made to reignite the boilers and the explosion resulted.

Mr Schindler said the exact cause was being investigated but it was possible that during the stoppage excess fuel had pumped into the boiler.

"It is obvious that that is what happened," he said.

The whole of Natal was hit yesterday by power cuts which came on without warning.

Due to technical problems Escom was short of 420 mW country-wide. Load sharing had been requested.

---

Miss C Fredgold
In this year for the best woman student
Molly Gohl Memorial Prize

P A Ropp onrit
For a student who has satisfactorily completed the 2nd and 3rd year courses.

Helen Gardner Travel Prize

P F Dunkley
Sixth Year

For the best student in:

Cape Provincial Institute of Architecture

Fine Art & Architecture
PULP PRODUCTION

Sappi, the paper producer which supplies about half SA's paper, cardboard and tissue needs, announces plans to spend R800m by 1985 on expanding its pulp mill in the eastern Transvaal.
Despite the R22m rights issue late last year.

<table>
<thead>
<tr>
<th>78</th>
<th>79</th>
<th>80</th>
<th>81</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>14.0</td>
<td>19.2</td>
<td>28.7</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>168.4</td>
<td>215.3</td>
<td>273.6</td>
</tr>
<tr>
<td>Gross profit (Rm)</td>
<td>13.4</td>
<td>17.6</td>
<td>25.8</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>8.0</td>
<td>8.2</td>
<td>9.4</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>25.9</td>
<td>31.4</td>
<td>49.8</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>22</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Net asset value (c)</td>
<td>231</td>
<td>235</td>
<td>245</td>
</tr>
</tbody>
</table>

By comparison, taxed attributable profit rose 88% to R21.3m against R11.3m previously. The sharp increase was helped by a lower tax rate of 32.1% (36%) resulting from capital expenditure concessions and training allowances. Even so, last year’s advance substantially exceeded the four-year compound growth average in attributable income of 49%.

Turnover was up 24.5% to R340.7m — a smaller increase than the previous year’s 27% advance — but chairman Charl Cilliers says the fruit canning operations were adversely affected by severe flood damage to western Cape fruit farms. The rise in turnover was, however, accompanied by a 59% increase in operating profit to R35.7m, which resulted in a widening of overall gross margin to 10.5% (9.4%).

Overall profit was boosted by recovery in the machinery and engineering division, previously a loss-maker, partly as a result of income received for delayed contracts. Cilliers says, however, that the activities of this division are “outside the company’s field of expertise and funds can be better utilised elsewhere.” Consequently the division has been sold.

Cilliers says the group is particularly vulnerable in areas such as fruit canning and fishing. This is underlined by the collapse of the pilchard fishing industry. As a result, the food and beverage division closed its manufacturing operations in Walvis Bay and invested R6m in Fabrica de Envasas (Fesa) — a Chilean can manufacturer listed on the Santiago Stock Exchange. Metal Box will supply technology to Fesa under a technical licensing agreement.

The electrical accessories division benefited from increased building sector demand and more particularly from the massive electrification programme in Soweto. The directors anticipate that benefits from the Soweto contracts will continue for several years and should help offset any decline in the private building sector.

The group bought 76% of Papercote Industries during the year. The new division will manufacture carbonate paper for printing and, though not expected to contribute to overall profit for the first few years of operation, the directors say long-term prospects for the division are “most encouraging.”

This year’s economic slowdown could spell problems for the group, but the diverse spread of activities should cushion any sharp divisional fluctuations. The rights issue has strengthened the balance sheet and pushed up liquidity. Loans were reduced slightly but the group has R21.4m cash on hand. Net cash flow is now R17.3m compared with R11.4m previously.

The strong financial structure allows the group to keep funding working capital requirements internally. In addition, there is ample room for gearing up since debt/equity is only 34.6% — well below the internal ceiling of 60%.

All in all a 25% earnings advance seems reasonable. With dividends likely to remain twice covered, shareholders could be looking at a payout of 49c. At 530c, this gives the share a prospective yield of 9.3%; a bit high but probably a reflection of the bearish expectations for industrials.

Chris Wilson

**Metal Box**

Cash flush

**Metal Box**

Cash flush

**Metal Box**

Cash flush

**Metal Box**

Cash flush

**Metal Box**

Cash flush

**Metal Box**

Cash flush

**Metal Box**

Cash flush mass on 10 1988-89 high, 500c; low, 465c; trading volume last quarter, 330 000 shares. Yields: 11.9% on earnings; 7.4% on dividend. Cover: 2.0, PE ratio: 6.7.

**Metal Box**

Cash flush more than doubling earnings in the six months to end-September, Metal Box turned in a 58.2% earnings advance to 8c a share in financial 1981. This was
Sappi will spend R800m by 1985 on expanding its existing pulp mill at Ngodwana, in the eastern Transvaal. Among other things, it will enable the company to export newsprint for the first time in six years.

The project is one of the largest single undertakings by private enterprise in SA, and the largest single paper industry venture currently under way in the world.

Sappi, 65% owned by Gencor, supplies half SA’s pulp and paper demand. The additional output will raise Sappi’s overall capacity from 660 000 t to 680 000 t of pulp, paper and tissue a year.

This will make Sappi self-sufficient in pulp requirements, with substantial tonnages available for export.

The Ngodwana site was chosen for its proximity to plantations which Sappi either owns or to which it has cutting rights. And pulpwood purchasing arrangements exist in areas outside Sappi control.

Pulpwood can therefore be obtained within a 90 km radius of the mill, whereas expansion of the Tugela mill would have required timber transport of up to 500 km.

Ngodwana will thus have a cost advantage of about R40/t of paper sold on the Reef compared to a mill on the coast — nearly 10% of the selling price of the finished product.

Says Eugene van As, Sappi’s chief executive: “We will be able to sell overseas in direct competition to other world producers, as well as supply local customers at the most competitive prices.”

Sappi presently exports about 10% of its paper production, board and tissue, earning SA R17.5m/year in foreign exchange. This will more than double when the new mill is on stream, and Sappi will export 20% of its output. (See Fox.)
Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.

Carlson's profits (continued)

Carlson Paper Corporation, the country's leading tissue producer, has announced a 33 percent increase in pre-tax profits on a 20 percent growth in sales.
JOHANNESBURG. — Reporting less than two weeks after the first half end, Carlton Paper Corporation, have announced a 33 percent rise in pretax profits on only a 20 percent growth in sales.

The chairman, Mr. Basil Landau, told shareholders in the interim report the directors believed profits levels in the second half would be at least as high as in the first half.

The report shows that Carlton's total sales, boosted primarily by strong local demand, rose to a record R42.7m (1980 R35.8m). This greater local off-take — met both by increasing productivity where possible and reducing exports — resulted in improved operating margins of 15.4 percent (1980: 13.8 percent) for the six months to end June.

The benefit of these improved margins was fractionally eroded by higher interest charges and a moderately increased tax rate stemming from reduced export allowances.

Nevertheless, net income rose 28 percent to R4.1m. Earnings per share on a fractionally increased issued capital rose from 29.6c to 29.9c. This level of earnings improvement filtered through to a matching dividend increase, boosting the payment from 11 cents per share to 14 cents per share.

In the full 1980 year Carlton earned 44.9 cents per share and paid dividends totalling 28.9 cents per share.

The interim dividend of 14 cents per share will be paid on September 30 to shareholders on register at the close of business on September 4. — Sapa
Bells John Prize
For the best all-round student in any year of study.
P. C. Key

The Committee of the Western Cape Chapter of Quantity Surveyors Prize
For the student obtaining the highest marks in Professional Practice.
P. R. Swift

LTA Prize
For the best student in each of the courses of Building Economics I, II and III in the third, fourth and fifth years respectively.
I : N. G. Sessions
II : A. R. Low Keen
III : No award

S. A. Brick Association Prizes
For the best student in the subject of Building Construction.
C. W. von Duing
K. Strong

Mondi mill for Richards Bay

Although the figure put the cost of the project at no less than R2 billion, the figure has been reduced to R1.2 billion, and this has been used. The mill will be capable of producing 2.5 million tonnes of paper a year. The company has decided to invest in this project because it believes it will have a positive impact on the local economy. The project has been designed to ensure that the local community benefits from the project. The project will create 2,500 jobs directly and another 5,000 jobs indirectly. The company has also committed to giving preference to local suppliers and contractors. The project has been designed to ensure that the local community benefits from the project. The project will create 2,500 jobs directly and another 5,000 jobs indirectly. The company has also committed to giving preference to local suppliers and contractors.
Unions to get tough over sackings

By STEVEN FRIEDMAN
Labour Reporter

OVER 100 worker representatives from 30 East Rand factories yesterday committed themselves to a meeting to a campaign against a Springs company, Stag Packings, which recently dismissed 80 workers.

The meeting — of shop stewards from five unions affiliated to Fosatu — decided to try to persuade other workers not to take jobs at the company and to raise money to support the fired workers.

Representatives of Stag could not be contacted last night for comment.

Fosatu believes that the 80 workers were fired because of their membership of the National Union of Textile Workers. The company says the workers were fired because they were unproductive.

Recently the NUTW took the company to court alleging that it had "locked out" the workers but lost when Mr Justice Nestaadt ruled against it on a point of law.

The union has since announced that it will appeal against this decision and will institute other legal actions against Stag.

A Fosatu statement issued last night said that a shop stewards council of Fosatu unions on the East Rand had met in Benoni yesterday and had been addressed by dismissed Stag workers.

"The majority of these workers are still out of work and requested support from Fosatu shop stewards in the area," the statement said.

It added that the meeting had "unanimously condemned Stag Packings management and pledged their support to the workers."

They would follow through this support by "advising other workers in their communities not to take (the fired workers') jobs" and by collecting donations from Fosatu workers in the area on behalf of the dismissed workers.

According to the statement, the meeting also demanded "that Stag Packings management re-employs the workers immediately."

The East Rand has been "a centre of increased worker militancy of late and was hit by six strikes in the space of two weeks."

Unions in the area appear to be forging closer links with black community organisations.

The NUTW has attempted to mobilise a community campaign on behalf of the dismissed Stag workers.
Mondi go-ahead
for R520-m expansion

By Ann Crotty and
Frank Jeans

News that Mondi, the paper-producing company of Anglo American, has received the go-ahead to embark on a R205-million expansion plan and the establishment of a giant pulp mill at Richards Bay was greeted with interest by dealers, the JSE, today, but they said that as yet it was too early for any reaction from investors.

Mondi is part of the Amic group, which is the industrial holding arm of the Anglo group, so market reaction to the news is likely to be muted. Mondi has so far only used two of the world’s largest pulp mills, but it is likely to receive a share in the new project.

The Mondi venture will not only create one of the world’s largest pulp mills, but it will result in an estimated R170-million a year gain in export revenue.

Allied to this big expansion will be the start of a fifth paper machine at the Mondi plant at Merebank, Durban.

In 1991, the first industrial council, medical aid fund was established.

80 days of financial support, subject to the necessary permits for assessment.

In case of all purposes, assisting medical assistance schemes have been established.
Long-rumoured plan a reality

R520m for new Mondi paper mill

By SIMON WILLSON

AIMING to replace the imported pulp currently used in its Merebank paper mill in Durban, Mondi Paper is to spend R520-million on its long-rumoured new pulp mill at Richards Bay.

A Richards Bay mill was first mooted 14 months ago when a paper industry study carried out at the beginning of 1994 indicated how serious the domestic pulp shortage was.

Mondi, a 42%-owned subsidiary of Anglo American Industrial Corporation (Amic), announced the go-ahead for the Richards Bay pulp mill yesterday.

Completion of the first phase of the project, to be built on a greenfield site, is scheduled for 1996.

GOOWANWA

It is the second big project announced by the paper industry this month. Three weeks ago, Engen confirmed its plan for an R836-million expansion of its pulp and paper mill at Goodwood in the Eastern Transvaal.

Engen was stirred into action about the shortage of timber in the Richards Bay area, but Mondi’s new mill was the first access to the plantations of the company’s subsidiary, 3% Forest Investments, and other associated companies which own a total of about 200 000 ha of timber plantations.

The mill will use 500 000 tons of pines, gum and watling timber a year.

Mondi has bought a 38% stake at Richards Bay for R50-million, and the company says the construction of the mill and its infrastructure will be the focus of the company’s development for the next 20 years.

RICHARDS BAY

The bulk of the R520-million cost of the mill will be raised from banks and the company’s own resources. A R35-million increase in the company’s equity is also planned to contribute to the project’s funding.

A more detailed breakdown of the mill’s financing package depends on the unfinished placing of contracts and the securing of the remaining requirements, which is also still to be finalised.

Richards Bay was chosen as a site because of its port facilities and its rail and road links with the Eastern Transvaal and coastal Natal.

The mill’s projected annual output is 500 000 tons a year, of which at least half will go to the Merebank paper mill — its captive customer.

NEW FOREST

The company says the substitution of Richards Bay pulp for the imported pulp now used at Merebank will save R16-million a year.

In the short term, the mill’s excess bleached pulp will be exported but Mondi says the mill is intended to feed a series

TAKE-OFF

Mondi’s managing director, Mr Reg Donner, yesterday predicted a 5%-9% annual increase in South African paper consumption over the next few years, and said Mondi’s investment was safe because it would be able to sell all the pulp it wanted to.

He said domestic paper consumption would soon “take off”, and his company’s strategy was one of setting up big plants and expanding surplus production until domestic demand increased its off-take of paper output.

COMMENT: Mondi’s vote of confidence in the paper industry follows closely on the announcement of a bullish outlook all round on the industry’s prospects by two of its major components.

Mondi’s local-market bullishness is centred on a firm prediction that an expanding black middle class will suddenly send this country’s paper usage through the roof.

The multiplier effect of the 1998 boom has still to wash through to the spending power of the black bourgeoisie.

But when it does, Mondi expects to be in the happy position of having an expanded Merebank fully supplied with pulp to feed the mill, and a healthy production surplus to export.

And in its export ambitions, Mondi could hardly be better placed.
Mondi boost for building

By Frank Leach

The R520-million Mondi paper project to be launched at Richards Bay will mean a further boost for the construction industry, with local companies involved in the building of the pulpmill.

Mr Reg Donner, Mondi's managing director — "no risk of pollution."

The entire project will come under the banner of Mondi company Paper Board Development Services with tenders for the earthworks stage expected to be issued soon.

Meanwhile an assurance that the sea will be in no danger from pollutants has been given by the managing director of Mondi, Mr Reg Donner.

There has been controversy over the proposed pipeline to carry waste from industries in the area into the sea.

"In a sophisticated development such as this, every aspect of preservation has been studied," says Mr Donner.

"We are in touch with the health authorities at all times and our operations are monitored."

The risk of any effluent threat to the sea has also been minimised because seawater will be recycled through the pipeline and the outflow will be oxygenated at the end of the pipeline.

---

III: No award
II: A R Law Keen
I: N D C Sessions

A Fifth of the three categories.

II and III in the third, fourth and fifth places of the courses of building economics, I for the best student in each of the IIA prizes.

A Swift professorial prize, the highest marks in the student obtaining Supervisory prize.

The committee of the western key.

In any year of study, for the best all-round student.

Bell-John prize.

(continued)
Timber stake for Mondi

The Hunt Leuchars and Hepburn group has announced that the Mondi Paper Company will acquire a 10 percent interest in its timber division with effect from September 1, and will increase its interest by a further 20 percent over three years.

Mr C B Perry, deputy chairman and chief executive of the H.L. and H group, said the link with Mondi would mutually benefit both groups. In order to facilitate the purchase of shares by Mondi, H.L. and H will restructure its timber division — which is expected to have a turnover of more than R100 million in the current financial year — through the formation of a new divisional holding company to be known as H.L. and H Timber Holdings in which Mondi will acquire its stake.

Management of the company will remain with H.L. and H. - Sapa.
Mondi pulp mill plan brings an air of expectation to Richards Bay

The Mondi pulp mill plan brings an air of expectation to Richards Bay. The project, estimated to cost more than R100 billion, is expected to create more than 1,000 new jobs. The plan will involve the construction of a new pulp mill with an annual capacity of 600,000 tonnes. The pulp mill will be located on the coast, close to the existing Mondi paper mill. The project is expected to be completed in 2023. The new pulp mill will provide a significant boost to the economy.

The plan was announced by Mondi, a leading global pulp and paper company. Mondi said the project would create new opportunities for local businesses and workers. The company also said the project would help to reduce its carbon footprint.

The announcement was met withmixed reactions. Some people welcomed the plan, saying it would bring much-needed investment to the area. Others were concerned about the potential impact on the environment.

The plan has been the subject of much public debate. Critics of the project say it will have a detrimental impact on the local environment. They say the project will lead to increased air and water pollution.

The Mondi pulp mill plan is expected to have a significant impact on the region. The project is estimated to create over 1,000 new jobs. The new pulp mill will also provide a significant boost to the local economy.

The Mondi pulp mill plan has been the subject of much debate. Critics have raised concerns about the potential impact on the environment. However, Mondi has pledged to minimize the impact of the project and to work with local communities to ensure a sustainable future.
Union, company agree to bypass council

BY STEVEN FRIEDMAN

TRADE union demands to negotiate wages and work conditions with employers outside the official industrial council system have received a major boost.

A Barlow Rand company, Premier Paper, has decided to negotiate on these issues directly with a Posatu-affiliated trade union.

Premier, which is covered by an industrial council agreement, has confirmed that it took this decision against the urging of other paper employers and the industry’s employer association.

The agreement to negotiate wages and working conditions directly — taken after Premier had originally wanted these issues to be negotiated through the industrial council — is contained in a recognition agreement between it and the Paper, Wood and Allied Workers Union.

Premier’s general manager, Mr Mike Walters, describes the decision as a “major concession”. The agreement was signed on Friday and covers Premier’s Kliprivier plant, where it employs more than 300 black workers.

A union representative hailed it as an “important breakthrough for all paper workers,” adding: “We hope Premier’s decision will convince other employers in the industry to negotiate directly with representative unions.”

PWAWU said it would intensify efforts to win similar agreements from other companies.

It added that workers saw attempts to force unions to bargain solely through the councils as “a bid to foist toothless bargaining on them — which they reject”.

The paper industry’s employer association has insisted that PWAWU join the industrial council before receiving recognition from employers.

But it refused, charging that the council is “unrepresentative”.

Mr Walters said yesterday that the agreement had followed “months of tough negotiations with several concessions being made on both sides”.

The company had proposed a clause stipulating that pay and working conditions be negotiated through the council “in support of the industry as a whole” and the employer association, Mr Walters added.

It had decided to drop this clause while reserving the right to discuss matters of concern to the whole industry with the council and employer association.

It is understood that Premier took this decision after it became apparent that the union would not join the council.

Mr Walters added that PWAWU had made concessions to the company on the role of shop stewards, a disciplinary code and its “right to manage its own affairs”.

unexplored
HUNT Leuchar & Hepburn is to sell 49% of its R100-million-a-year timber division to Mondi, SA's second biggest paper-maker.

In the first step towards a timber partnership between giants, Mondi will acquire 50% of HLH Timber on September 1 and another 36% over the next three years.

No price has been disclosed, but timber industry sources speculate that initial 10% will have been priced at about R11-million, putting a price tag of roughly R55-million on the total deal.

HLH's timber division expects sales of R100-million this year. Its annual report effectively forecasts a gross profit of about R14-million for its timber division.

Mr Chris Perry, managing director of HLH, says the deal holds substantial benefits for both parties.

Mondi is 63% owned by Anglo American Industrial Corporation, so the deal gives HLH's mining timber division improved marketing access to Anglo mines.

It also gives HLH access to greater timber resources, which will benefit all mining timber customers.

It will also enable whole-tree use and increase volumes, reducing unit costs at HLH's depots. In the past, the mining timber division often discarded off-cuts and the top third of trees. These can now be used in pulp-making.

Another benefit for HLH is that cash received over the next three years will reduce debt at a time of soaring interest rates.

The main benefits for Mondi, which is to spend R50-million expanding its pulp and paper mill, will gain access to HLH's pulp timber as well as its expertise in hardwood exploitation.

HLH recently sold Jessiwealo sawmills, its chief sawmill operation, to Mondi. Now HLH is to concentrate on growing, sawing and distributing hardwood, which is used mainly in mining and pulp.

It seems likely it will acquire certain Mondi or Amic hardwood sawmills and plantations so that Mondi will no longer be involved in hardwood.

The reason for specialisation is that hardwoods and softwoods are distinct industries. Hardwoods, mainly walnut and gum, have a growing cycle of only eight years, and softwoods, mainly pine, have a 27-year cycle.

The two types of timber go to different markets – hardwoods to mines and paper-makers and softwoods to the building industry.

Mr Perry said the deal would be effective for only six months of the current financial year, and would have little effect on HLH's earnings this year.

But next year he expects earnings to benefit. Mr Perry says there will be a capital profit in the transaction for HLH.

To facilitate its plan, HLH will restructure its timber division through formation of a new divisional holding company, to be known as HLH Timber Holdings in which Mondi will eventually hold 40%.

Management of the company stays with HLH, with Mr Chris Perry as chairman, and Mr Neil Morris as managing director. Other HLH representatives on the board will be Mr N. van Niekerk and Mr W. de Witt, while Mondi's chairman on the board will be Mr Chris Griffith.

Asked if the present deal did not preclude a bid by Anglo American Industrial Corporation for all of HLH — which nearly merged with Blue Circle last year — Mr Perry said this was a question for the major shareholders. He thought they were set on independence for HLH for the foreseeable future.
Sappi splits biggest SA lease deal

By HAROLD FRIDJON

SAPPI has completed arrangements for financing the R470-million leasing portion of its R850-million extension programme involving construction of a pulping plant and paper mill at Ngodwana, Eastern Transvaal.

Proposals were submitted by two consortiums.

The one, led by Trust Bank, includes Central Merchant Bank (Sibank), Santam Bank with Chase Manhattan (UK) involved.

The other consortium consists of Barclays National, Nedbank, Standard Bank and Volkskas.

Sappi, I am told, has decided to split what is South Africa’s highest commercial leasing proposals in two and has awarded Trust Bank a lease contract which will provide finance up to R225-million.

The other banks will be involved up to R225-million.

It seems that the Trust Bank consortium would have had an even bigger share of the leasing contract if it had had a bigger tax base. The proposals of this group were a lot more imaginative than those submitted by the other consortium, I am told.

Sappi is said to be studying proposals for financing the balance of R625-million, but no decision is expected on how this will be done before the middle of next month.

There was an urgency about getting the leasing contracts worked out and signed before the Budget.

There had been talk in the leasing market that Mr Horwood would introduce restrictions on leasing practices and Sappi and the two consortiums had to work to a tight deadline.

They were right.

Mr Horwood said yesterday that legislation would be introduced to stop “certain undesirable practices in leasing whereby the costs of assets are artificially increased in order to allow the lessee to reap the benefits of bigger investment allowances”.

Mr Horwood was referring to the technique whereby part of the lease is on susceptible sale ‘contracts on which the interest’ is capitalised and the new capital amount is then written into the major leasing contract.
Sappi rights to help pay for mill

SAPPI has announced details for the financing of the R800-million Ngodwana paper and pulping project.

It is planned that shareholders will be offered a mix of convertible preference shares and ordinary shares in a rights issue to be made between 1982 and 1984 to raise the balance of the funding. They will be timed to ensure continued growth of both earnings and dividends.

Sappi’s cash flow should be adequate to meet dividend objectives and to contribute to funding the new mill.

As reported in Business Mail this week, R470-million will be supplied by two consortiums—up to R250-million from the Trust Bank consortium and up to R220-million from the big four commercial banks.

The funds, which will be drawn down over the construction period running from now to mid-1983, will be provided in the form of suspense sales, leasing and long-term loans. Interest rates are variable, geared partly to the prime overdraft rate and partly to bankers’ acceptance rates ruling over the term of the facilities.

In addition to the long-term finance from the South African banks, export credits of up to R100-million will be available from countries supplying equipment. Fixed rates of interest will be about 8.5%. The funds are in fact long-term loans.

Eurocurrency loans of up R80-million will be used to a limited degree to take best advantage of interest rates.
Leading banks back Sappi’s new mill

Two banking consortia have signed contracts with Sappi for provision of up to R170-million of finance for the R300-million development of an integrated pulp-and-paper mill in the Eastern Transvaal.

The funds, which will be drawn down over the construction period running from late 1962 to mid-1963, will be provided in the form of suspense sales, leasing and long-term loans.

The bigger part of the funds — up to R350-million — will come from a consortium of Trust Bank, Santam Bank and Central Merchant Bank. The Trust Bank consortium is working in association with the Chase Manhattan banking group.

The balance of up to R25-million will come from a consortium consisting of Barclays National Bank, Nedbank, Standard Bank and Volkskas. — Sapa.


I68. Development, South Africa, p.260. Many people spoken to indicated that Harris was induced by the United Party to take this action.


I64. Cape Standard, 6th January 1945.


### 6.3.3.2.2. Input of Real Type Data

For input numerical data to be represented internally as real type data, three conversion codes are available: the F, E, and G codes. Operation of these conversion codes is identical for input data (their operation differs on output data).

The basic form of the external input field consists of an optional sign (optionally preceded by blank characters) followed by a string of digits and blank characters with one optional decimal point anywhere in the string. This basic form may be followed by an exponent, having any of the following forms:

- **A decimal integer constant**: an integer to the left of the decimal point.
- **A decimal fraction**: a decimal fraction to the right of the decimal point.
- **A decimal exponent**: a decimal exponent to the right of the decimal point.
- **A decimal fraction**: a decimal fraction to the right of the decimal point.
- **A decimal exponent**: a decimal exponent to the right of the decimal point.

The letter E followed by an optionally signed integer constant

<table>
<thead>
<tr>
<th>A decimal integer constant</th>
<th>Example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>3.45E+1</td>
</tr>
<tr>
<td>0</td>
<td>0.00E+4</td>
</tr>
<tr>
<td>5</td>
<td>5.67E-2</td>
</tr>
</tbody>
</table>

The letter D followed by an optionally signed integer constant

<table>
<thead>
<tr>
<th>A decimal integer constant</th>
<th>Example:</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>3.45D+1</td>
</tr>
<tr>
<td>0</td>
<td>0.00D+4</td>
</tr>
<tr>
<td>5</td>
<td>5.67D-2</td>
</tr>
</tbody>
</table>

And the si

---

**Note:** The text is partially obscured and might require further clarification or correction.
Talks with 194 strikers if they work

Own Correspondent

The training manager of Paper and Packaging Industries at Rosslyn, Pretoria, where about 500 workers walked out on Monday after demanding higher pay, said the company was prepared to negotiate with them if they returned to work.

Black workers, some said to be earning as little as R1.60 an hour, demanded an increase of R1-an-hour across the board.

They said a workers' council committee went to see the management but was told by the general manager, Mr T Mockey, that he was not prepared to negotiate.

Mr A Bamfoter, the training manager, said the workers had ignored grievance procedures. The management was prepared to negotiate — but only after the workers returned to work.

The amendment has achieved this result.
Rosslyn strike off

The three-day strike at Paper and Packaging Industries in Rosslyn, Pretoria, has been settled.

The 900 workers who struck on Monday in a demand for an increase of R1 an hour returned to work this morning after yesterday's talks.

The company's training manager, Mr Sandy Bannister, said workers had already received two increases this year totaling 18 percent.
2500 out as strike at food company spreads

THE strike at the Tongaat
Group’s food plants in Natal
spread yesterday to the egg and
mushroom divisions.

About 2,500 workers are now
involved.

The black and Asian workers
involved in the strike were yes-
terday given an ultimatum by
management to return to work
or face dismissal.

The strike follows unrest at
the plants over proposed Gov-
ernment moves to freeze work-
ers’ pensions, which has
prompted unrest in other fac-
tories this year.

In Pretoria a strike at Paper
and Packaging Industries in
Roslyn was settled yesterday
when 500 strikers agreed to
return to work pending negotia-
tions with management by
their works council on pay and
other demands.

Fosati’s Metal and Allied
Workers’ Union yesterday met
managements of Grinaker and
Murray and Roberts in Rich-
ard’s Bay following a week-long
strike by their entire work-
force, reports MIAAN DE
VILLIERS.

Mr. Alan Hankinson, addressed strikers
and told them that if they were not at work today they would
force their job.

Mr. Hankinson said later workers had also been ad-
dressed by the general secre-
tary of the Sugar Manufactur-
ing and Refining Employees’
Union, Mr. G. M. Hlabangane,
whose members appear to be
the movers behind the strike.

The union has been accused
of being armed by manage-
ment, which Tongaat denies.

Union sources claim it has tak-
en a more militant turn of late.

The strike follows demands
by workers that they be
allowed to opt out of the com-
pany’s superannuation fund to
avoid Government regulation
freezing pension contributions.

Tongaat agreed to this.

But workers say Tongaat
insists they resign in order to
remove their pension money.

Thus, they say, means they will
lose accumulated benefits.

Mr. Hankinson confirmed yes-
terday that workers would have
to resign. But he said this was
a legal requirement outside
company control.

He said the only benefit
workers would lose was a long-
service bonus bequeathed to
them in terms of the will of one
of the company’s founders.

They would have to work
another five years to again
become eligible for the benefit.
The country’s five major banking groups have chosen to combine into two consortia to share the financing of Sappi’s R600m integrated pulp and paper mill development in the eastern Transvaal.

The banks will contribute up to R470m of the total cost, the largest single financing exercise yet carried out by SA banks for a private sector project. The net burden on each is, however, modest compared to the two packages totalling over R1.6 billion arranged for Escom in the last year with Barclays and Standard, and Nedbank, respectively.

The two consortia consist on the one hand of Trust Bank, in conjunction with SantamBank and Seambank and Chase Manhattan of London and, on the other, Barclays, Standard, Nedbank and Volksteals.

NOVEMBER NEARS

Bookings are flooding in for the FM’s annual international investment conference, so prospective participants are advised to avoid disappointment and make reservations now. The conference will be held on November 19 and 20 at the Carlton Hotel in Johannesburg. Keynote speakers include Finance Minister Owen Horwood; Dr Henry Jarecki, chairman of the New York-based Mocatta Metals Corporation; Hubert Baschwald, executive board member of the Swiss Bank Corporation; Keith Fuller, president of Associated Press in New York; Reserve Bank governor Gerhard de Kock and a range of well-known business leaders.

Provisional bookings can be made by contacting Yvonne Courtney at the FM, telephone (011) 29 2081.
Workers return to paper firm

ABOUT 85% of the 500-strong black workforce returned to work yesterday at Paper and Packaging Industries in Pretoria, a company spokesman said.

The workers walked out this week over a wage dispute and other grievances.

The spokesman said the management had made it clear to the workers' council that it was not prepared to discuss disputes unless the men returned to work.

Talks would be held next week with elected spokesmen, probably the workers' council, he said.

The workers want a R1 an hour increase over and above increases granted.

Another grievance concerns the non-payment of travel allowances.

This was, however, reflected on a computerised paysheet which would have to be explained to them, the spokesman said. — Sapa.
For the second time in a week, workers at Paper and Packaging Industries in Rosslyn, Pretoria, have downed tools in support of a R1-an-hour wage increase.

Only 50 employees had responded to a management deadline to return to work, a company spokesman said. The rest of the 300-strong day-shift had been fired, and would be re-employed selectively.

Police had been called in "to protect those workers who opted to return to work," the spokesman said.

Last week the company was hit by a two-day strike and the management agreed to review wage-levels "in specific cases."
<table>
<thead>
<tr>
<th>COMPULSORY SECTION</th>
<th>A selection from the literature of the 19th &amp; 20th centuries.</th>
<th>2 lectures weekly</th>
<th>1 paper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle English Literature</td>
<td>1 lecture + till 1 tutorial) June</td>
<td>1/2 paper</td>
<td></td>
</tr>
</tbody>
</table>

**Cops move in as 500 strike**

POLICE were called in to the factory last week after workersusaha 500 workers struck a 24-hour industrial action in response to management's decision to introduce new working conditions. The strike was called by members of the local branch of the National Union of Workers (NUW) following a meeting at the factory where workers expressed concerns over changes to their working conditions, including a proposed increase in the number of hours they were required to work.

**SOMERSET, Wednesday, August 26, 1981**

The NUW said the management's decision to introduce the new working conditions was a "direct violation of workers' rights" and that the company had not consulted with them properly. Workers said they were unhappy that the new conditions would mean longer hours and less time off.

A company spokesman said the management had been "working overtime" to ensure the new working conditions were introduced as soon as possible. He said the workers' demands were "unreasonable" and that the company had been "forced" to introduce the new conditions to "keep the business afloat."

Meanwhile, a spokesman for the management said the workers had "overreacted" and that the new working conditions were necessary to keep the factory profitable. He said the company had been " máxima labor" and that the new conditions were necessary to "protect the company's future."

The strike began at midnight on Thursday, August 27, and lasted until 8pm on Friday, August 28. Workers said they were "fed up" with the company's "lack of consultation" and that they had been "forced" to take action.

About 500 workers at the factory walked out in protest and were later joined by others from the local area, bringing the total number of strikers to approximately 1,000. The union said the workers were "determined to fight for their rights" and that they would not go back to work until their demands were met.

A spokesperson for the local police said they had been called to the factory to "prevent any further disruption" and that they were "preparing to take action" if necessary. He said the police would not "stand idly by" and that they were "fully prepared to protect the workers' safety.

The strike ended on Saturday, August 29, when the workers agreed to return to work under the new conditions. The union said the workers had "won a victory" and that they would "not give in to management's pressure."

The company said it was "pleased" that the workers had agreed to return to work and that it was "now ready to move forward."
Rosslyn men strike again

The majority of blacks employed by the Paper and Packaging Industry at the paper mill in Rosslyn, near Pretoria, downed tools yesterday over a pay dispute.

On Monday last week the workers went on strike, but returned to work pending negotiations between the management and the works council.

A company spokesman said the entire morning and half the evening shift of black workers participated in the strike.

The workers are demanding an hour more.

14. What major issues related to the project were not studied and why?

15. Choose one aspect of the research project which you have participated in.

16. Pretend to order a product and you realize the sales of social scientists. Use examples from a product that you have purchased. Describe, and evaluate, the use of video lectures as a supplementary tool.
Strikers Go Back to Work

Most of the black workers who went on strike last week over a pay dispute at Barlow Brand Paper and Packaging Industry at Boks-lyn, near Pretoria, returned to work yesterday.

According to the firm's spokesman, Mr. A.P. Barnatt, 60% of the morning and afternoon shiftworkers who went on strike last Tuesday had returned to work and he expected 80% of the workforce to arrive today.

Workers downed tools when the management and the works' council failed to reach an agreement over a R1 an hour increase demanded by the workers.

According to one employee, who refused to be named, strikers agreed to report to the factory today to find out if the management was willing to grant their demand.

But early yesterday, some of the strikers were seen waiting at the factory gates. They were allowed to move into the factory one at a time.

Police were at the factory when the employees left but there were no incidents.

Mr. Barnatt said no discussions were held between the management and the strikers who returned to work.

He said all employees who returned asked to be allowed to work.

A spokesman for the South African Typographical Union (Satu) said in Pretoria his union did not back the strikers because the union did not believe in strikes as a way of solving disputes.

He said he believed the strike was instigated by political activists.

Not satisfied

The spokesman said the parties were brought together to negotiate the pay dispute after 200 workers went on strike.

The workers were not satisfied with the agreement and, in particular, the fact that they would not receive any pay for the days they had been on strike.

Negotiations would start when conditions at the factory returned to normal.
Cape self-sufficient in packaging paper.

One important saving will accrue from cutting down paper damage caused by excessive handling on the way from Natal. Such damage estimates run as high as R1,5m (3%) a year for the industry countrywide.

Says Sappi MD Eugene Van As: "The cost of damaged goods will be drastically reduced, and customers will not need to stockpile so much. We can supply at short notice within the production capacity of the mill."

Converters will also reap the benefits of substantial savings on escalating transport costs and insurance.

Because Cape Kraft’s paper is made from recycled waste instead of wood, quality will not meet SABS export specifications.

The mill therefore will supply local markets. Paper quality meets specifications of the SAR & H among others. But the mill is basically designed to service the fruit, wine, textile, canning and clothing industries of the western Cape.

By using recycled paper, Sappi will save 4 000 t of wood (12 ha of planted forest, or 1 000 trees) for every 1 000 t of paper made from waste fibre.

A separate company, Saveall Paper, has been formed to collect waste cardboard and brown paper from the likes of box makers and supermarkets, and a large quantity of the area’s waste will be recycled into packaging.

According to Van As, the factory has been designed to employ only 102 workers, and will achieve the highest productivity rate in the country.

Sappi will consider further expansion if current venture proves successful. Chairman Basil Landsa says that for a relatively small additional cost, total output could be increased by 10 000 t/year. And opportunities exist for expanding the product range.

If the western Cape is to become totally self-sufficient, however, three times the production capacity, or a new plant, will be necessary.
In the bag

It's big and booming — a description given by a market monitor to the bag-in-the-box packaging market. The SA business environment has not, in his view, seen anything as hot in a long time.

Total production of bag-in-box packages to date is around 12 m — and volumes are approaching 500 000/month. Growth for 1982 is put as high as 40%.

Since the launch of the bag-in-the-box in the wine market two years ago, this innovative form of packaging has grabbed 16% of the wine package market business and around 3% of fruit juice packaging.

Success has been more impressive in the medium-priced wine sector where it has captured 40%.

When launched there was a single brand on the market. Now every major producer is marketing one or many ranges. The co-ops have also climbed on the bandwagon.

Although growth in the wine market is strong at present, it is levelling off and future potential is expected to favour fruit juices. However, while growth is slowing, it must be borne in mind that current figures are calculated on an expanded base.

Yet the wine market, as a whole, has grown and most traditional wine packages have kept pace. Glass jars are an exception.

In the 12 months to end-March 1981, bag-in-the-box consumption rose from 8.3% to 18.2% over the previous year, whereas sales of glass jars fell from 18.3% to 13%.

Year-on-year total natural wine sales, according to industry figures, have increased by 7%.

On the fruit juice side Fruit Tree has bagged the packaged market to date, but competitors are anticipated.

As with any innovation, there are teething problems. Leaks and split cartons are being reported by retailers, yet product failure is relatively insignificant.

Costs of production are higher than the traditional forms and consumers pay for the convenience of the pack. Clearly wine drinkers accept that, but some product types will not bear the premium.

How are the alternative package products meeting the challenge? "We are busy with the launch of two new products," says Consol Glass's Keith Fisher. "They are aimed at the consumer looking for convenience."

Consol's new products are a 250 ml single service winette which is non-returnable.
Pension pay-out

194 strikers back at work in Mandini

Labour Reporter

Striking workers at the South African Paper Industries (Sappi) plant in Mandini, Zululand, returned to their jobs today after management agreed to look into their pension grievances.

The workforce of about 1,400 workers went on strike on Wednesday demanding that management repay their pension contributions.

However, Sappi told workers that they could collect their contributions only if they were fired or had resigned.

A return-to-work deadline was extended by Sappi until today and workers returned to the early shift on the basis of management's promise to negotiate the pension issue.

Workers apparently fear impending legislation affecting pension pay-outs and the transfer of pensions.

A spokesman for the Post-Allied Workers Union which represents a large part of Sappi's workforce, said workers feared and mistrusted the legislation and also criticised the presence of police at the plant.

DEMANDS

Sappi has reportedly agreed to look into three worker demands:

- Bank guarantees for the pension contributions which would be paid out when workers leave the company.
- For union representatives to travel to Pretoria to meet the Registrar of Pensions and discuss legislation.
- No worker dismissals as a result of the strike.

Sappi officials from the company's five Natal paper mills are meeting to discuss the pension issue.

Pension-related strikes have also hit other firms in the Eastern Cape and Natal and more recently several plants in the Huletta group...
Feas of more strikes hitting in Natal

Labour Reporter

About 700 workers at a KwaZulu paper mill went on strike yesterday in reaction to the Government's proposed pension legislation.

Labour unrest in Natal has spread to rural areas amid fears that the province is to be hit by a wave of strikes.

At Suppo's paper mill in Manzini, KwaZulu, workers struck early yesterday and have been told they will be fired if they miss two consecutive shifts. Mr C van As said yesterday it was "likely" all 1700 black workers at the mill had struck. Mr Van As said workers had demanded to withdraw from the company pension scheme as they wished to avoid the effects of planned legislation to preserve employee pension fund contributions.

No guarantees

Management had held talks with shop stewards of the Paper and Allied Workers Union and assured workers that until the Bill became law they could withdraw paid pension contributions.

"The law allows for this. But we obviously can't give any guarantees about money paid in after that because we don't know what the law will stipulate," Mr Van As said.

He added that workers who missed two shifts would "dismiss themselves".

Our Durban correspondent reports that more than 300 workers at the Vryheid municipality struck yesterday in support of wage demands, but the strike was settled after a few hours.

In Durban, a strike at a chain store Game Discount World is said to have involved about 170 workers, according to Mr Vivian Mtwa, Durban organiser of the Commercial, Catering and Allied Workers' Union (CCAWUSA).

The strikers were defying an ultimatum to return to work or be fired. Mr Mtwa said the Beare group, which owns Game, had said it refused to deal with registerable pensioners. Workers were demanding recognition of the CCAWUSA and wage increases.

"They want a minimum of R220 a month and R160 a month increases for all workers. Management claims no worker earns less than R100, but workers dispute this," he said.

A company spokesman referred queries to Game's managing director, who was not available.
1200 stop work over pension fund demands

Own Correspondent

DURBAN.—More than 1200 workers at Sappi Kraft’s largest pulp and paper mill at Mandini, Zululand, refused to work yesterday in support of a demand to have their pension contributions paid out, according to the group’s managing director, Mr E. van As.

If by midnight last night the final shift had not reported for duty, the total workforce of more than 1600 men would be on strike.

Mr Van As said both the 8am and 4pm shifts had refused to start work. During the afternoon management and representatives of the Pusatu-affiliated Paper, Wood and Allied Workers’ Union held meetings at which Sappi management arranged for a bank to guarantee refunds of all pension contributions to all black workers as of yesterday.

“It appears that workers had been led to believe that their pension fund contributions would be frozen from today. This is not the case — it is company policy that pension contributions are paid out when workers resign, and in the last three days eight men have resigned and have been paid their pension contributions.”

In terms of the R1 800 000 guarantee from the bank, whatever happens in the future, pension fund contributions paid up to yesterday’s date will be paid out together with accumulated interest to anyone who leaves the mill before retirement age.

Mr Bernard Chamberlain, general manager of the mill, said in a statement yesterday that the mill was operating with a skeleton staff.

He said negotiations between workers, representatives of the Paper, Wood and Allied Workers Union and management had taken place over the past three weeks concerning the Government’s draft Preservation of Pensions Interests Bill.

Workers were concerned that the legislation would prevent them withdrawing their pension contributions if they left their jobs.

The union could not be contacted for comment yesterday.
5000 still away from work

Labour Staff

Nearly 10,000 workers have been involved in a wave of strikes this week. More than half of these were still away from work today, either on strike or because factories have been closed. The centres for the unrest are Natal - where workers at three sugar mills in the Huletts group went on strike yesterday over pension-related, demands - East London and the East Rand.

On the East Rand most of the 400 workers who struck on Tuesday at Dormby Railway Products in Boksburg are back at work.

At another East Rand firm, H. Lewis and Company in Kempton Park, about 550 food workers who struck on Tuesday in protest against the dismissal of a union committee member have been fired.

A spokesman for Huletts expressed surprise. "We accept that workers have very real fears about possible pension legislation," he said, "but they have pre-empted a meeting this afternoon of the industry's industrial council on the pensions issue.

"This involves the Sugar Manufacturing and Refining Employees Union which represents them."

On the East Rand most of the 400 workers who struck on Tuesday at Dormby Railway Products in Boksburg are back at work.

At another East Rand firm, H. Lewis and Company in Kempton Park, about 550 food workers who struck on Tuesday in protest against the dismissal of a union committee member have been fired.

The majority of strikes relate to proposed pension legislation affecting contribution payments, retirement and transfer of funds.

Workers have demanded immediate pay-outs, mistrusting the Government proposals.

Other strikes have involved issues of union recognition, worker dismissals and wage demands.

Springs

About 700 workers at the Telephone Manufacturers of South Africa (Temesa) plant in Springs lost their jobs today as the result of work stoppages over the dismissal of three of their colleagues.

The three were dismissed on Wednesday for playing cards while on duty and yesterday about 500 workers stopped work and called for their reinstatement.

They refused to meet management's return-to-work deadline and were told they had dismissed themselves. Early today more workers joined the stoppage and were also told to leave the plant.

Temesa's managing director, Mr. Fred Williams, said the plant would probably be closed on Monday and re-engage staff on Tuesday. He added that about 2,000 workers were still at their jobs.

The Huletts walkouts at the Darnall, Amatikulu and Mount Edgecombe mills on the Natal North Coast follow hard on the heels of the pension-related strike by 1,350 workers at Sappi's Mandini plant which was settled yesterday.

Sent home

Other outbreaks of labour unrest in Natal this week include strikes by 200 Sasco workers at the Durban docks and 170 employees at four branches of Game Discount World in Durban.

In East London the production of Mercedes-Benz vehicles at Cap Distributors' Assembly (CDA) came to a standstill yesterday as the plant's 1,600 black workers struck against the dismissal of a workmate.

The dispute began on Wednesday when 268 workers in the CDA truck assembly department down tools in protest against the dismissal of a workmate.

A four-hour meeting between management and representatives of Postatu's National Union of Motor Assembly and Rubber Workers failed to settle the strike and the plant will be closed today.

A joint management-union committee has been appointed to investigate the incident, which
...
DURBAN — Workers returned to Sappi’s Tugela pulp and paper mill at Mandini, Zululand, yesterday, ending the work stoppage over pension fund contributions which started on Wednesday.

A spokesman for the mill said both the morning and afternoon shifts reported for work and that the mill was fully operational.

A statement released by Sappi Kraft management said the Posa-affiliated Paper, Wood and Allied Workers Union put forward management’s proposals to workers on Wednesday night.

Sappi has agreed to arrange a bank guarantee to refund pension fund contributions paid up to Wednesday to any black workers who leave the mill before retirement age.
Motor firm hit by all-out strike

By STEVEN FRIEDMAN

LABOUR unrest escalated in various parts of the country yesterday as all 1 600 workers at an East London diesel-motor plant and more than 1 600 workers at three Huéssit sugar mills in Natal struck.

On the East Rand, police stood by as the white-milling company of B Lewis and management said all 160 striking workers had been fired.

In Durban union sources said a strike at Game Discount World had not been resolved. However, all 1 700 strikers at Supa's page mill in KwaZulu-Natal returned to work according to the company, and strikers at Derby Rail Products in Rensburg East returned to work late yesterday after a four-day strike.

Thirteen dismissed strikers at Cobra Brassworks in KwaZulu-Natal were arrested yesterday and are expected to appear in court today, charged with “intimidating” workers in an attempt to prevent them from returning to work.

Sent home

In East London, all 1 300 workers at the CDA plant, which manufactures 400-bendix 8x4 cars, struck or were sent home yesterday.

A company spokesman said the strike by about 300 workers on Wednesday had spread and all 1 600 black workers had downed tools yesterday afternoon. The 1 700 white and coloured workers were sent home.

The strike is a protest against the dismissal of a black worker who was involved in an altercation with a white supervisor.

In statement yesterday, CDA’s managing director, Mr Leo Bornman said he hoped the dispute could be “defeated” in discussions with the union, scheduled for late yesterday.

In Natal, a Holcim’s spokesman, Mr Ron Phillips, said about 1 700 black workers at three mills, Mt Edgecombe, Amatikulu and Emfuleni had struck yesterday in protest against proposed Government pension legislation.

At B Lewis, a Tongan group subsidiary, management said it had fired workers in terms of an ultimatum to return yesterday or be dismissed.

“We have already engaged new staff,” Mr G Crosby, chief executive of Tongan Foods, said yesterday. He said management had been preparing a candidate with the African Construction and Contractors Union. But the only offer without retrenchment is correspondence with the union.

At AFCUW spokesman said, however, that none of the strikers had yet been replaced. They still regarded themselves as company employees and refused to collect their pay, he said.

Demanding

Workers were still demanding that a fired worker, who they believed had been victimized, be reinstated. But the spokesman said workers decided they would return before calling two other issues—wages and union recognition.

At Derby Rail Products workers returned yesterday after management had re- fused to accede to their demands for a wage increase over and above that granted in terms of the metal industry’s industrial council
The Star Bureau
LONDON — The paper machinery manufacturer, Beloit Walmsley has announced export orders of R22-million, including R17-million for a newsprint machine to Sappi of South Africa for its Ngodwana mill in the Eastern Transvaal.

The machine will be the first stage of an extensive expansion programme for Sappi's pulp mill at the site.

The four-year programme is expected to cost about R30-million.

Beloit Walmsley's other orders are for mills in Sweden and India.
Looking for growers

The SA timber industry needs to expand production but is having difficulty convincing growers that there are profits to be made.

Low prices, cyclical demand and a high fire risk discourage new growers. Nevertheless delegates to the 25th annual congress of the South African Timber Growers' Association (Satga) in Pietermaritzburg this week, were told more trees had to be planted to meet future demand.

Surpluses would have to be built up to supply the needs of Mondi's new paper mill at Richards Bay and Sappi's upcoming colossus in the eastern Transvaal. Increased demand from the mining industry and other major users will also have to be met.

The industry's aim is to see 39 000 ha of new afforestation each year until the turn of the century. Satga director Bruce Ferguson believes this target could be met — especially if more small growers can be brought in.

But he adds that despite the recent timber price increases, farmers are still not entirely convinced that prices offer an attractive enough return.

"You can't tell people lightly to go and plant trees if you're not sure it's going to be reasonably attractive for them," Ferguson says.

He believes there is room for improvement in the current price structure and is confident that prices will get better as the urgency for more trees sinks in.

The industry is about to start a new round of price negotiations with the major users. Natal and KwaZulu hold 36% of the country's forest area with the eastern Transvaal the next highest producer.

Ferguson says a fair amount of land for possible afforestation falls into KwaZulu. The problem there, he says, is to overcome reluctance among the local population which is traditionally reticent to plant timber.

Another possibility is for the major growers to embark on more joint ventures with the homeland governments who would be given a slice of the equity in exchange for the land.

Tree-planting projects have an additional advantage for underdeveloped regions — they employ large numbers of unskilled and semi-skilled labour.

Capital investment per job created is substantially lower in forestry than many other industries. Despite previous experience, Ferguson says farmers can rest assured that they will be able to dispose of all the timber they grow.
Strike fortnight leaves its mark on SA industry

By CHARLOTTE RAYNER

On September 27 more than 1000 workers at the Rand Refinery in Pretoria went out on strike. The strike started after management refused to meet with the Rand Refinery Workers Association, which represents the employees. The strike spread to other mines and factories across the country.

Workers have been striking for a variety of reasons, including wage disputes, working conditions, and the threat of layoffs. The strike has had a significant impact on the South African economy, with businesses struggling to operate and the government facing pressure to address the workers' demands.

Black unions — spearhead of change

JOHN HANNAH

The strike of Rand Refinery workers was a significant event in the growing militancy of black unions in South Africa. The unions have been demanding better wages, working conditions, and the right to organize.

As the strike continued, there were reports of violence and harassment against union members by management and police. The government intervened, imposing a state of emergency and deploying troops to the affected areas.

The strike eventually ended after negotiations between management and the union. However, the movement for workers' rights continued, with new strikes and protests taking place.

The strike of Rand Refinery workers marked a turning point in the history of black workers' struggle in South Africa, and it demonstrated the power of united workers in the face of oppression.
Mondi to pay R110m for Usutu Pulp mill, huge Swazi forests in deal

MONDI Paper Company, Anglo American’s pulp and paper giant, is to buy Usutu Pulp Company of Swaziland for R110-million.

The sellers are Courtaulds of the UK and the Commonwealth Development Corporation, each of which has 50%. Payment will be in cash over four years.

Besides a pulping plant capable of producing 175 000 tons of unbleached kraft pulp a year, Usutu has 110 000 ha of forest land in Swaziland.

Mondi plans to expand the existing and start up production to 300 000 tons a year.

The acquisition would bring Mondi’s pulp production to more than 310 000 ha, Mr Chris Griffith, chairman of Mondi, told me yesterday.

It makes Mondi one of the biggest single private sector property owners in Southern Africa. Mondi’s chief rival, at last balance sheet had 111 000 ha.

A spokesman for Courtaulds told Business Mail’s London representative there was nothing political about the sale.

He said Usutu was an investment in pulp and also Courtaulds basic business. For this reason, Courtaulds was reluctant to invest needed capital in Usutu, to realise full profit potential, needed a bleaching plant.

Commonwealth Development Corporation became involved in Usutu at its establishment in 1959. CDC’s major initial input was its forests.

Usutu at this stage makes only unbleached kraft pulp — no less than 10% of the world’s supply. It provides Mondi with its first access to the kraft market.

Mr Griffith said Mondi would have a ready market for Usutu’s expanded production and by no means all of it would be exported, as in the past. Mondi could use 140 000 of Usutu’s pulp a year locally but not in its present form. The unbleached pulp would be treated at Mondi’s Richards Bay plant.

“Usutu also gives us entry to the brown or kraft market for the first time,” he said.

Usutu Pulp last year made pre-tax profit of £2 500 000 on historical cost accounting.

By DAVID CARTE

announced the purchase of 49% of the timber interests — including vast forests — of Hunt Leechars & Hepburn for an estimated R10-million.

Mondi says it is committed to a significant expansion in its pulp requirements which are currently imported.

The linking of Usutu with Mondi will ensure the optimum utilisation of the resources of each enterprise. Integration can now be implemented with Mondi’s forests at Piggs Peak, Swaziland, to increase pulp production within the Kingdom.

The company says stepping up production to 200 000t a year will require “substantial capital expenditure.”

Usutu employs more than 2 000 and Mondi before this transaction 10 000. It says the deal is in the best interests of all the Usutu workers.

The deal is subject to consents and undertakings from the Swaziland Government and the exchange control authorities of South Africa and SA.

Mondi last year had assets of more than R245-million and made a pre-tax profit of nearly R42-million.
Brief work stoppage halts production at Sappi paper mill

A SHORT work stoppage took place at Sappi’s Stanger paper mill yesterday involving about 300 black and Indian workers.

According to a spokesman, workers downed tools because of dissatisfaction with their pension funds.

Workers walked off the job yesterday morning, management reported.

Shortly before lunch the workers elected four representatives, who agreed after discussions to hold full talks with management on Wednesday.

The four representatives persuaded their colleagues to return to work.

Sappi is scheduled to hold talks on November 24 with the Fosatu affiliated Paper, Wood and Allied Workers’ Union about the pension situation at Sappi mills. The union is recognised at several Sappi mills, and talks are currently under way about recognition of the union at Stanger.

Brig John Visser, Divisional Commissioner of the South African Police, said that construction workers employed by Bester Home Builders downed tools yesterday morning following a dispute concerning wage increases.

The workers returned to the building site shortly afterwards, he said.

Bester Home Builders could not be contacted yesterday.
As expected (Business September 25), the board of Nampak has given approval for a R30m glass container manufacturing project.

MD Bas Kardol says details of the proposed plant and projected output will be released soon. The intention is to proceed immediately, and production will come on stream not later than July 1983.

Asked to comment on the Nampak project, Piet Neethling, MD of Consol, which has held a virtual monopoly in glass packaging, says: "We firmly support free enterprise where progress and profitability are determined by expertise, quality, service and price. On this basis we expect to maintain our position as the foremost supplier of glass packaging in SA."

Nampak has indicated in the past that it aims for a Transvaal-based 40 000 t/year plant. Neethling says this indicates Nampak is aiming at "a relatively small and localised segment of the total market."

The effect of Nampak's potential penetration, he adds, "is at this stage hypothetical and will eventually depend on the acceptability of the product in the marketplace." He says 40 000 t/year represents roughly "10% of the national market."

Consol will commission a 50 000 t/year plant at Clayville in June 1982. Second stage production, one year later, will add another 50 000 t/year.
The reorganisation of Premier Paper following the acquisition of control by Nampak in January 1980 is virtually complete. The result in the year to end-September was an earnings rise of 29% on an annualised basis and a more conservative financial structure. But for the current financial year the outlook is less pleasing as production economies will be more difficult to achieve while demand growth is starting to flag. In addition, the probable conversion of some of the cumulative prefs will dilute earnings growth.

Chairman Bas Kardol says 1981's results flowed from "better productivity" in the two mills operated by Premier Paper. These mills, Kliprivier and Southern, "have been developed to their full potential." Kliprivier produced 33,965 t of paper last year compared with 29,706 t in 1980 while Southern boosted output to 13,585 t (13,069 t).

During financial 1981 Premier Paper entered into a joint venture with Nampak Recycling, with another Nampak subsidiary to rationalise waste paper collection. Premier holds 40% in the operation which "made a meaningful contribution to the group's profits."

With both Premier's mills at full capacity the scope for sharp earnings growth this year is slim. The economy is "heading for a downturn" so Premier is obviously not rushing to boost capacity. Hence, "little further improvement in output can be expected." Kardol's 1982 forecast is for "little real earnings growth."

Despite this cautious outlook, dividend potential is sound. Like parent Nampak, Premier is conservatively financed and very liquid. The debt/equity ratio is a mere 9.2% and the annual interest and leasing charge is covered 21 times by gross profit. The financial structure is somewhat different to the previous year as a result of the sale of subsidiary Southern Products to Nampak, and of Hujoyani, which contributed R212,000 in dividends in 1980.

With this financial capacity, which will be enhanced by life accounting, and a dividend cover of three times, Premier should increase the payout at the same rate as earnings, even if the convertibles are exercised in June 1982. This, however, will mean the declaration of an interim dividend for the nine months to end-June.

At 571c the share trades on a 9.5% historic yield which discounts the prospects of slower earnings growth this year. 

---

**PREMIER PAPER**

All wrapped up

**Activities:** Produces packaging, paper and tissue wadding. 54% of the equity is held by Paper Industries which is 67% owned by Nampak and 33% by Kohler.

**Chairman:** B Kardol; managing director: J R Scholes.

**Capital structure:** 1.8m ordinarlies of R1; 100,000 5.5% cum prefs of R2; 1,579,113% non-cum prefs of R1. Market capitalisation: R9.4m.


**Share market:** Price: 571c (1980-81; high 790c; low 580c; trading volume last quarter, 5,700 shares). Yields: 28.5% on earnings. 9.5% on dividend. Coverage: 3.0. PE ratio: 3.5.

<table>
<thead>
<tr>
<th>Return on cap (%)</th>
<th>Turnover (Rm)</th>
<th>Pre-tax profit (Rm)</th>
<th>Gross margin (%)</th>
<th>Earnings (c)</th>
<th>Dividends (c)</th>
<th>Net asset value (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9</td>
<td>24.1</td>
<td>0.2</td>
<td>23.6</td>
<td>18</td>
<td>824</td>
<td>769</td>
</tr>
<tr>
<td>16.1</td>
<td>24.6</td>
<td>2.2</td>
<td>50.0</td>
<td>30</td>
<td>769</td>
<td>573</td>
</tr>
<tr>
<td>127.4</td>
<td>30.0</td>
<td>4.1</td>
<td>18.6</td>
<td>54</td>
<td>573</td>
<td>718</td>
</tr>
<tr>
<td>27.4</td>
<td>25.4</td>
<td>4.6</td>
<td>19.0</td>
<td>54</td>
<td>718</td>
<td></td>
</tr>
</tbody>
</table>

*15 months; † Annualised.
NAMPAK

On to glass

Activities: Manufactures a broad range of packaging products including paper, corrugated board and plastic containers. Subsidiary of C G Smith.

Chairman: B Kardol; deputy chairman: L Wilder.

Capital structure: 32,7m ordinaries of 50c. 100 000 0.5% prefs of R2, 400 000 8% cum. prefs of R2. Market capitalisation: R261,6m.


Share market: Price: 800c (1980-81; high 885c; low 700c; trading volume last quarter, 82 000 shares). Yields: 18.3% on earnings; 6.7% on dividend. Cover: 2.7. PE ratio: 5.5.

*C* excludes proposed glass factory capex.

Return on cap (%) .... 24.4 37.1 29.8 37.5
Turnover (Rm) .......... 128 240 327 409
Pre-tax profit (Rm) .. 24.8 42.8 65.3 80.3
Gross margin (%) ...... 19.7 18.3 17.8 18.8
Earnings (c) .......... 58.3 55.1 117.7 146.1
Dividends (c) ......... 25 28 46 54
Net asset value (c) .... 312 371 435 500

*N* Nine months to end-September.

At the time of Nampak’s latest Interim report, the market declined to mark the share down too much. The confidence was to some extent justified in the second six months when earnings grew 26.3% compared with 16.5% in the October-March period. And the annual report goes further in explaining the share’s yield.

In the past few years Nampak’s profit growth has been less impressive than its...
HULETTs/MONDI

Paper deal

Hulett's sale of its 70% controlling stake in Hulett's Paper to Mondi is the group's second major divestment of non-sugar interests in two years. The income equation makes the deal seem "fair," but the resultant increase in Hulett's proportional exposure to the sugar industry might not be in shareholders' best longer-term interests.

More importantly the deal could mean slowing dividend growth from Hulett's unless dividend cover is lowered. Hulett's normally distributes half of earnings before additional depreciation. This includes the attributable income of Hulpaper. And while the income on the prens being received from Mondi will equate 1981's dividends from Hulpaper, consolidated earnings will drop. So, either cover policy changes or dividend growth slows.

Hulpaper has two corrugated cardboard mills at Felixton, Natal and Piet Retief in the eastern Transvaal. In the year to end-March 1981 both mills ran at full capacity and expected the same in financial 1982. The company contributed R6.3m to Hulett's after-tax earnings and had forecast maintained profit this year.

The sale to Mondi is based on Hulett's feeling that the substantial additional investment needed in the paper division would not generate an attractive return. The size and nature of the investment has not been detailed but the announcement says the income of the R224m in 10% redeemable preference, which Hulett's will receive for its stake in Hulpaper, will equal dividends from the subsidiary in financial 1981. Hulett's will also receive R1.8m being the final dividend expected from Hulpaper for financial 1982, and a R2.1m special dividend.

So the immediate return to Hulett's for its controlling interest should not harm cash profits. But, in view of the substantial (17%) contribution the paper companies made to group earnings last year and the fact that sugar income can be greatly affected by the weather, the loss of a diversified interest must carry a large cost.

This sale leaves Hulett's with its sugar and aluminium interests as the major profit sources. The sugar division is currently being expanded with a R110m (1981 money) mill due to come on stream in 1985-86. Finance for the mill had already been arranged, as had funding for the foil rolling facility required by Hulamin. In any case, the Hulett's group is liquid. At end-March cash and near-cash totalled R84m before counting pre-payments. In addition, normal operations generated cash income of R33m gross on an annual basis. The group was also only geared to around 17% of equity. In other words, the R26.3m Hulett's will receive for its stake in Hulpaper is not essential to improve capital structure for additional capital spending.

Most likely the deal was prompted by Anglo's desire to put all its paper interests in one basket. Being the major shareholder in Hulett's and owning Mondi, Anglo was presumably faced with a conflict of interests which has been eliminated by acquiring Hulpaper. And the deal fits in with Mondi's expansion plans. It recently bought 49% of Hunt Leuchars & Hepburn's timber division for a reputed R27m and HLH's Jessievale sawmill for about R12m. The group also bid R116m for Usutu Pulp in Swaziland and has plans to spend R350m on a pulp mill in Richards Bay.

In Hulett's case avoiding investment sufficient to make Hulpaper competitive longer-term with the paper giants, also makes sense. But unless the cash is put to better use in the near future the sale could harm dividend potential.

In the final event, the end of the story may still have to be written. Speculation in Diagonal Street suggests that Hulett's next move could be into an embrace with Tongaat. Time will tell.

Den Klaasen

Hulett's Paper ... the 'latest disposal'
MANUF.
PAPER + PRODUCTS

1963 - JAN.
1964 - JAN.
1966 - DEC.
Mercury Reporter

THE killer disease, cholera, yesterday continued to rage close to Durban and a senior spokesman for the city's Clairwood Hospital said admission figures this week were much higher than last week.

The numbers have risen from the first four cases admitted on December 28 to 30 patients presently being treated in the Clairwood Hospital's isolation wards.

The spokesman said five more victims were admitted yesterday while 15 people were discharged after treatment.

According to another senior spokesman, Durban's King Edward VIII Hospital does not have the facilities for isolation wards to treat cholera patients.

The spokesman yesterday disputed reports that King Edward VIII Hospital had admitted several employees from the large Nampak factory at Mbonini who were believed to have been hit by cholera.

Isolation

"We do not have the isolation wards required to treat cholera patients here," the spokesman said. "We know nothing about any cholera cases from Nampak."

Nampak's resident director, who did not wish to be named, said he was "unaware of any suspect cholera cases."

Meanwhile, Pinetown's Marianhill Hospital is treating only one patient in the isolation ward.

A spokesman for Durban's State Health Department said yesterday various quantities of ordinary household bleaches containing hypochlorite could be used for purifying cholera-infected water.

He said one teaspoonful of bleaches such as Jik, Javel, Nomisol and Milton diluted with 25% of water and left overnight would ensure "germ-free water."

He added that all these bleaches were available in "practically all stores" and should be given to employees who planned to travel into cholera-infected areas.
Company accused of victimising strikers

By STEVEN FRIEDMAN

A JOHANNESBURG company was yesterday accused of firing four workers who allegedly instigated a recent work stoppage — despite an assurance to the Commercial, Catering and Allied Workers Union of SA that no workers would be victimised.

But a representative of the company, Contract Packaging, denied the accusation yesterday. The company said only one worker was fired — and for reasons unconnected with the stoppage.

The dispute began on Friday, when the company's 25 to 30 workers, mostly women, were not paid. The company says this happened because the managing director was on his way to Cape Town and had planned to pay workers on Monday.

The company said workers refused to work until they were paid on Monday. They were then fired.

A spokesman for CCAWUSA said all those fired were union members and that the union had taken up their case with management. The company had agreed to take all of them back.

Assurances

"We asked for assurances against victimisation and they promised us no one would be victimised," he said.

But two of the workers were not taken back when they arrived at work on Tuesday and a further two were fired yesterday, he claimed.

They were both told directly that they were being fired for being instigators. The company made no attempt to hide this," he said.

A Contract Packaging representative said yesterday that only one worker had been fired.

"The rest of them all back in the factory. These claims are not true," she said.

"The worker concerned was incompetent and was due to be dismissed before the strike happened," she said.
Workers' Union of South Africa (USWA) and Allied Workers' Union of South Africa (USWA) yesterday called for a national general strike to protest against the dismissal of workers at the Datsun factory in Johannesburg. The strike is expected to paralyse the entire country, and the workers are demanding reinstatement of all fired workers. The Datsun management has refused to negotiate with the union, and the workers are prepared to escalate their protest.
TWENTY-eight of the 20 Contract Packaging Company employees earlier dismissed after a wage dispute with management have been re-employed.

The regional organiser of the Commercial Catering and Allied Workers Union of SA to whom the workers are affiliated, said two others have been sacked because they were accused of being “instigators” by management.

WAGES

They were not paid their wages on Friday, and on Monday when they resumed duties they refused to work unless they received their salaries. Management gave them an option to return to work or go home. Their bosses paid them and ordered them to leave the company’s premises.

The workers were advised to re-apply and on arrival at the company yesterday 28 were taken on.

The CCAUSA organiser said the union deplored the action taken by the company and said they would fight for the reinstatement of the two.

He added that this type of practice would harm good relations between management and workers, because the sacked workers were dismissed after being accused of being “instigators.”

“I need to save carefully for a house for my children so I talked to the United. Explained my plan to them. They were helpful, as always.

They helped me in planning the type of house I and they advised me on how to arrange my saving that I would be able to meet my other needs.

Then they gave me the money to build the house I wanted. I’m grateful. I tell you, the United is helpful in many ways than one.”

Come to the United.

We will help you build your future plan.
FOUR FIRED

By JOSHUA RABOROKO
FOUR workers at Contract Packaging have been fired for allegedly causing a work stoppage at the Johannesburg firm, the Commercial Catering and Allied Workers Union said yesterday.

The CCAUSA regional organizer told The SOWETAN that the union tried "all it could" to discuss the issue with the management, but to no avail.

The dismissal of the workers follows a work stoppage at the company when management failed to pay about 30 of its employees.

They demanded to be paid on a Friday and were told the boss was not available. On the following Monday they were paid, but later they were all sacked.

The workers were told they could reapply if they wished to work again. When they reappeared two of the 30 were sacked and later two others were dismissed.

The four who were sacked were accused of rushing to the union and being instigators of the work stoppage.

The union spokesman said that after they were dismissed the members complained to the union. Contact was made with the company and the management promised that no one would be victimised.

However, he said, a day later two members said they were fired because of being alleged instigators and for rushing to the union and the Press.

The spokesman said repeated attempts were made to have the two reinstated when two others were sacked. Since then, the management has "deliberately ignored the union's calls."

A company representative said that no worker was fired "for being an instigator."

One worker was dismissed and this had nothing to do with the misunderstanding concerning the workers' wages.

The company did all it could to help its employees and some of them have benefited from "the various schemes we have" here.
Working effectively with black unions

DURBAN — Results in the giant C. G. Smith group were "very close" to budget, the retiring chairman, Mr. Mike Rossolt, said at the annual meeting in Durban. He indicated that the budgets had been drawn up assuming a 5% drop in the exceptional rates of growth experienced over the past few years.

He said Mr. Warren Clemy, executive vice-chairman, had been appointed chairman. Mr. Rossolt said the group was "addressing itself to the developing black cumbersome procurrel scenario and acknowledged that we, as employers, have to work for effective negotiations with the increasingly organised and conscious black unions."

The nature of future retirement benefits was an issue for such negotiations. He noted that the majority of black workers in the sugar division had withdrawn from the pension fund and he believed that this was not in their or their families' best interests.

Mr. Rossolt said the expected fall-off in sugar spending on semi-durables had affected many of the products' market lines. The Nampex results were lower than expected and they intended to go ahead with a R5bn glass company project.

For the sugar interests good spring and summer rains had fallen; which augured well for sugar cane production. However, the world sugar price was still a cause for concern.

Earnings up again

With the tax bill in the cement division down to nil, Blue Circle shrugged aside a much higher depreciation charge to end 1981 with earnings up 34% to R12.9m (1980: 8.1m). A final dividend of 27.5c has been declared making a total of 33.6c (32c) for the year to December. — A share price of 29c. Cover has been raised to 2.5:2.

At the interim earnings were credited by only 0.5c which means they leapt 41% in the second half.

Blue Circle revised its estimate of R5.2bn for the year and this lifted the market value of the listed investment from R900m to R1.0bn. The interest bill virtually doubled to R930m (R460m).

As a result, pre-tax pro-

fit was actually down 11% to R25m (1981: R28.1m). But thanks to investment allowances on its new Lake Monduran project in Khun, Blue Circle Ltd, the cement division, paid no tax.

As a result, the group tax rate plummeted to 7.2% from 37.8% and taxed at- tributable to shareholders was R22m, a gain of 34%. Earnings rose in line.

Turnover was 23% better at R2bn. Blue Circle chairman, Mr. Trevor Coulson, said this was the 9th year in which the group increased earnings. He said the group had achieved an annual average compound earnings growth rate of 34% in the past nine years.

Textile jubilee

Moor River Textiles made a pre-tax profit of R190m in 1981, against R700m in 1980. Tax was R1.2bn (R1.2bn). The annual dividend has been raised from 30c to 75c to make a total of 105c.

A special "jubilee" dividend of 150c has been declared. This special pay- ment is said to mark the 25th anniversary of the Dutch-owned group.

Moor River has also announced that talks with another unnamed group on some kind of tie-up have been discontinued.

Earnings a share last year were 231c (150c).

The group is proposing a four-for-three share split with the 7,000 ordin- aries being enlarged to 9,000.

The rise in earnings last year was 54%.

Turnover was R16.9bn (R16.7bn).

Colliery profit

ANGLO-Transvaal Collieries raised its taxed profit by 32.4% in the six months ended December 31, 1981, from R700m, equivalent to 151.3c (100.3c) a share.

Dividends on AT Colliery fixed investment in Witbank Colliery rose to R220m from R172.5m, while other income rose to R320m from R290m and operating costs were lowered to R2.47bn from R2.53bn.

The market value of the company's listed invest- ments at December 31 was R279m compared with R289m at the end of 1980, while the book value on both dates was R129m.

Platinum projects

RUSTENBURG Platinum Limited has spent a total of R1m on capital projects in the past three years, August 31, said the chairman, Mr. Gordon Waddell.

He told shareholders at the annual meeting in Johannesburg that R4m would be spent on expansion this year and a further R2m on maintenance of capacity.

The R4.7bn allocated for expansion at Rustenburg would be incurred in due course to meet the additional metal requirements arising from the company's various new contracts with the automobile industry.

Mr. Waddell said further applications of platinum catalysts were being developed in the chemical and petroleum industries, in an attempt to increase efficiency and reduce energy requirements.

In the past, substantial progress had been made in developing a platinum catalyst for controlling emissions from diesel engines.

This technology was being developed primarily to meet proposed United States legislation, but also had application in specialised uses of diesel engines, such as under- ground mining.

A further extension of the use of catalysts on car exhausts in Europe after 1989, said Mr. Waddell.

Developments in the glass industry were likely to extend the applications of platinum metals and re- sult in increased use, said Mr. Waddell.

Fuel cells were unlikely to be produced on a large scale during the next five years, but "as and when fuel cells prove to be competitive with alternative methods of power generation, demand for platinum for fuel cell use could become significant."

Working loss continues

An increase in tonnage and a reduction in working costs were not enough to offset general waterways expenses for the June quarter. The company's working loss was R5,000. The market value of the company's listed investments at December 31 was R1.8bn compared with R1.87bn in the previous quarter.

The State-assisted mine milled 82,980 tons of ore during the quarter compared with 76,142 tons in the September period, raising gold production to 2,962.2 oz from 2,745.8 oz, in spite of a fall in average grade to 3.57 g/t from 3.69 g/t.

The directors say, the working loss before sundry items rose to R520,761 from R457,279, while sundry revenue was unchanged at R9,000 and there was a tax credit of R15,478.

Capital expenditure, which has been a feature of the essential projects, fell to R464,301 from R905,075. But the average capitalisation for the past two quarters is expected to continue for the next few quarters.

Wit Nigal received R5bn 000 in State aid dur- ing the year, which reduces the net loss for the period to R16.28.

An analysis of the half performance, the direc- tors point to the R4.411m gold price received to cover working costs and capital expenditure under the State aid conditions, against the actual R13.057m a kit received in the six months to December 31.

Without State assistance Wit Nigal required an average gold price of R17.05 for a kg or $530 an ounce to break even.

Best year on record

The best year on record for Goldyfar South Africa, was 1981 thanks to buoyant economic conditions, a re- cord increase in motor manu- facturers and a steady de- mand for industrial rubber products. And, although the motor indus- try expected to tail-off this year, Goodyear was confident another excellent 12 month period was in sight.

This is the view of the company's managing director, Mr. W. F. P. Gear. He said all sectors of the motor industry — passenger car, light and heavy duty truck and tractor — reported record sales in 1981 and this naturally would be a spin-off on the tyre and rubber industry.

What we must not lose sight of is the fact that the excellent sales over the past two years will have raised sales to R560m units — au- xiliary for the replacement market," said Mr. Life.

Turning to the mining industry, Mr. Life said some operations had been cut back because of eco- nomic recessions in other countries.

The major exception was the coal mining indus- try which has been behind the rapid expansion which has characterised the "bright" sectors.

"These mines have been able to maintain high levels of production even at the low coal prices," he said.

"Goodyear has found an ex- cellent market for its range of conveyor belt- ing," he said.
Inquest on former world champion

Mail Reporter

INQUIRY into the death of Arnold Taylor, South Africa's former world bantamweight boxing champion who died in Johannesburg, is expected to be held today in the Johannesburg Magistrate's Court.

Taylor, 38, was killed early in November while riding in his daughter's automobile in a quiet street at Rosettenville, a quiet street near his home. He was taken to hospital, where he was declared dead on arrival.

He became a world bantamweight champion in November 1950, fighting in Mexico and Japan. He retired from boxing in 1956.

The inquest is expected to be held today.

News

Strikers are defiant over pensions

The number of workers who have struck in the past three days rose to more than 5,000 yesterday as new strikes were reported at two large plants— one in Durban and one in Johannesburg.

By STEVEN FRIEDMAN

Workers at the Debs Plants in Johannesburg and the Mineworkers' Union, however, continued their strike over pension demands.

The Mineworkers' Union, which represents workers at the Debs Plants, said that the union's representatives had met with management to discuss pension claims.

The Debs Plants, which is owned by the Debs Group, said that it had offered a 5% increase in wages and pensions for the workers.

The union rejected the offer, and the strike continues.

By PENNY CAMMINS

The number of workers who have struck in the past three days rose to more than 5,000 yesterday as new strikes were reported at two large plants— one in Durban and one in Johannesburg. The Mineworkers' Union, which represents workers at the Debs Plants, said that the union's representatives had met with management to discuss pension claims.

The Debs Plants, which is owned by the Debs Group, said that it had offered a 5% increase in wages and pensions for the workers.

The union rejected the offer, and the strike continues.
Workers back on the job after strike

By Tony Davis, Labour Reporter

The strike-hit Corobrik plants at Primrose and Bedfordview yesterday took back half the dismissed workers and started recruiting to fill the other vacancies.

About 500 workers were dismissed at the plants this week after striking over the issue of recognition for the Glass and Allied Workers' Union. Corobrik management said the workers had "discharged themselves" by refusing to return to work.

Half the workforce in the two plants had returned to work without any loss of benefits and the remaining half would be paid out, according to Corobrik's managing director, Mr E C Rutherford. He said workers would be recruited for the remaining jobs this week and dismissed workers could reapply.

The dispute saw talks between management and the union break down and union officials reject what they called "pre-requisites" for recognition.

These included union membership in the industrial council, registration status and a willingness to hold joint talks with the National Union of Brick and Allied Workers.

Glass and Allied has described this body as an "in-company" union. Glass and Allied's president, Mr Ronald Mofokeng, said the union would organise the new workforce and prove to management that its membership was representative.

He said the union would continue to try to negotiate with Corobrik despite the dismissals.

RECOGNITION

More than 1,000 workers were involved in a strike yesterday over a recognition dispute at a Heriotdale furniture firm.

Workers at the Krost Brothert plant downed tools and many left work during the day while talks were being held with management.

The Fosatsu-affiliated Metal and Allied Workers' Union (Mawu) which claims to represent a majority of workers at the plant held talks about the recognition demand.

The company's Boksburg plant was the scene last year of a major dispute after the union demanded that Colgate negotiate wages at plant level and not at the industrial council for the industry.

DEMANDS

Proposals being advanced by the union in the talks include increases of R1 an hour for hourly paid workers, a cost of living and service allowance, a one-month annual bonus, going away with Saturday morning and Sunday night shifts, advance notice of any retrenchments and negotiations on the pension fund.

A Barlow Rand subsidiary, Nampack Recycling Industries in Edenvale, was hit by a one-day dispute over wages on Tuesday.

Workers had reported objections to recent wage increases and had demanded an increase of R1 an hour.

A spokesman for the Fosatsu-affiliated Paper, Wood and Allied Workers' Union, which represents many of the workers, said management had agreed to hold wage talks later this month.

FINANCES

The Vaal branch of the Engineering and Allied Workers' Union has called a special meeting of the branches on Sunday to discuss last year's finances.

The union's general secretary, Mr Calvin Nkabinde, said that at the annual general meeting in January questions had been raised about the Vaal branch's financial situation.

The planned meeting would help to resolve this problem, he said.
CHIEF Gatsha Buthelezi's Inkatha movement last night backed the call for a national half-hour work stoppage in mourning for Dr Neil Aggett at 11.30am today — as unionists reported tens of thousands of workers had affirmed support.

Unionists said only one major company was reported to have threatened to fire workers who participated, and the giant Anglo American Corporation indicated it would give sympathetic treatment to worker requests to observe the action.

Inkatha's general secretary, Dr Oscar Dhlomo, said the movement was "deeply shocked" by Dr Aggett's death and urged all workers to observe the stoppage.

The vice-chancellor of the University of the Witwatersrand, Dr D J de Plessis, told staff in a letter that the university would close for half an hour from 11.30am — when church bells on the Witwatersrand will toll.

Mass public meetings are planned in Cape Town, Durban and Pretoria.

Police said they were prepared for any disturbances that might occur during the work stoppage.

The Transvaal Solidarity Committee co-ordinating stoppage action in the province said last night that police had confiscated stickers dealing with the stoppage.

The committee said a Vereeniging unionist, Mr Philip Moisa, had been held by police after distributing leaflets.

A spokesman for the Police Directorate of Public Relations in Pretoria said police would not comment on what they considered "your the work". He was unable to confirm that Mr Moisa had been held.

Unionists said they expected few attempts by employers to "obstruct" the stoppage, although some said they would not pay workers who took part for that half-hour, and others asked workers to observe a shorter period of mourning.

Some companies have suggested bringing lunch-hour forward to accommodate the stoppage, but workers have opposed this.

It is understood that Port Elizabeth firms may be asked by employer representatives to observe a brief period of mourning.

Unionists in all centres said workers were being asked to observe the period of mourning in a "dignified and disciplined" way.

This means workers have been asked not to leave factory buildings and to disrupt production as little as possible.

- 'Threat'

The Paper, Wood and Allied Workers' Union, an affiliate of the Federation of SA Trade Unions, charged yesterday that the giant paper company Sappi had threatened to fire workers at its Reed plant who took part.

Approached, a Sappi spokesman said the firm expected its workers not to take part in the stoppage.

He said the company had told worker representatives it did not believe Dr Aggett's death "had anything to do with the relationship between Sappi and our employees".

In Natal yesterday, some of the province's major employers told Sapa they had assured workers they would not block the stoppage.

In Port Elizabeth, Fossato unionist Mr Fred Sauls said he expected a show of mourning in all unionised factories in the city and in Gqeberha.

In Cape Town, a representative of the Food and Canning Workers' Union said there was strong worker support for the stoppage, even in some rural areas.
Chief backs move to mourn Aggett

Mercury Correspondent

JOHANNESBURG—Tens of thousands of workers throughout the country have responded to a call to stop work at 11.30 this morning to mourn the death of Dr Neil Aggett, unionists said yesterday.

The proposed stoppage received new support yesterday when Chief Galsha Buthelezi's Inkatha movement backed the action.

Last night the giant Anglo American Corporation indicated it would treat sympathetically requests by workers to mourn.

But Posata's Paper, Wood and Allied Workers' Union said yesterday that the giant paper company Sappi had threatened to fire workers who took part at its Reef plant. A Sappi spokesman said only that the company had told worker representatives it did not believe Dr Aggett's death had anything to do with the relationship between Sappi and our employees.

Assured

Mass public meetings are planned today in Cape Town, Durban and Pietermaritzburg.

In Natal yesterday, some of the province's largest employers told Sapa they had assured workers they would not block the planned half-hour stoppage.

Mr Barry de Wet, group industrial relations manager of Hulett's, said: 'We see it really as unofficial protest action by concerned people and we would never oppose such action.'

Anglo American said in a letter it had noted its opposition to detention without trial and added that Dr Aggett's death had already had a serious impact on the industrial relations climate.

'We do, however, understand and sympathise with the depth of reaction which has led to the proposed stoppage and requests for employers to observe the period of mourning will be treated accordingly.'
Fired blind workers threatened with arrest

Mercury Reporter

The 59 blind workers dismissed from the Natal African Blind Society's factory at Enduduzweni on Wednesday following a dispute over an increase in deductions for food and lodging have been given until 10 a.m. this morning to vacate the factory's hostel or else 'they will be arrested', according to the institute's director, Mr. J. Randles.

Mr. Randles also confirmed workers' claims that they had not been fed since Wednesday, saying that when the workers were dismissed, their food supplies were withdrawn because they were no longer employed by the factory.

He refuted claims, however, that workers could not get home. The institute was prepared to transport any dismissed worker to the railway station and pay for his train fare home, he said.

The blind workers, who make cane products and weave work, downed tools last week when their deductions for food and lodging were increased by approximately R1.50 a week to R2.00 a week.

Loss

The Natal African Blind Society—a non-profit welfare organisation—justified the increase by saying that the hostel was running at a 'tremendous loss'.

Workers were unhappy with the new deductions, not because of the increase but because they were being charged different rates for food and lodging and because their request to cook their own food, which would keep costs down, had been refused by management, according to Mr. Herbet Barnabas, national organiser for the Blind Workers' Union.

Mr. Barnabas said: 'Workers all want to be charged the same rate for food and lodging. They are refusing to leave the hostel because they feel they have been unfairly treated and unfairly dismissed.'

Mr. Randles said that because the blind workers were paid different wages, food and lodging fees were deducted accordingly. 'It works out that each worker contributes about an eighth of his weekly wage,' he said.

Timber

Meanwhile, the work stoppage at Mondi Timbers, Port Durnford, continued yesterday although the Fosfite-affiliated Paper, Wood and Allied Workers' Union indicated that workers would probably return on Monday if management agreed to hold negotiations with shop stewards and union officials on the Anglo American pension scheme.

A total of 125 workers downed tools early this month in a bid to have their pension fund contributions refunded.

According to a statement issued by the Mondi spokesman, Mr. Rob Hudson, it is a condition of employment in the Mondi Group that all employees belong to the pension fund.
Injured man fired

WHEN a former employee of Nampak Corrugated Containers Company in Wadeville went to collect the remainder of his compensation money for injuries sustained in company time, he was told he was no longer entitled to the money.

Mr Steven M Johannes was awarded R2130 compensation after an accident on August 7, 1989, when a company machine split his hand lengthwise.

According to Mr Johannes, his salary decreased after the accident, his employer objected to his frequent absences from work for medical treatment and he was accused of being drunk at the time of the accident and of sleeping on his job.

Finally, Mr Johannes claims, he was called into an office where he was questioned: "I tried to explain my problems but was told in only answer 'yes' or 'no'."

He was told he had been sacked because he used to clock his card on Saturdays even if he was not.

He was given a form to fill in and sign: "I wanted to read the forms first but a man told me not to. I refused and then was the end," said Mr Johannes.

Personnel manager at Nampak Mr H Randall could not confirm the reasons for Mr Johannes's expulsion but said Mr Johannes could fetch the money still owed to him.

But when Mr Johannes went to claim his money, he was told the money no longer belonged to him.
Nampak fires thirty workers

NAMPACK Polyfoil Company near Soweto has retrenched about 30 workers in an attempt to solve its financial problems.

Factory manager Mr. C. J. Dickie told The SOWETAN yesterday that the company was going through a "tough financial time" and had no option but to dismiss the workers.

Mr. Dickie said most of the retrenched workers had only joined the company in January this year.

The company was prepared to re-employ in the case of any of the present staff members resigning. They regretted that the company's financial position forced them to dismiss people.

He explained that the workers had been given one week's pay (45 hours) in lieu of notice and the normal pay as a gesture of appreciation for satisfactory service.
Tension at Natal pulp mill strike

DURBAN. — Tension was high today after some 1200 workers went on strike at Sappi's large Tugela pulp and paper plant in Natal over the arrest of two of their colleagues by police at the weekend for alleged assault.

Provincial game fishing

Western Province were declared winners of the Cape Town international fishing competition when bad weather on Friday stopped boats from going out and forced the final placings to be taken on the overnight positions.

World champions Austria finished ninth of the 11 teams which took part in the event which started on Tuesday and saw more than 2,000 long fin and yellow fin tuna boats.

Moore's crew largest

Moore's crew was caught 10 to 15 miles off Hout Bay, but late on Thursday boats found schools of tuna named near the Three miles off the Sentinels.

The outstanding catch was made by Dan Clark of Griquas who caught 14 kg long fin on six kg breaking-strain line, a world record for its class by nearly two kg.

Clark was fishing from Jannie Niewoudt's skiboat Nimrod and made his catch about 12 miles west of Hout Bay.

Competitors were restricted to using a maximum of 20 kg breaking-strain line.

Final placings: Western Province (2333 points), Bolder (2850), Natal (23 368), Eastern Transvaal (17 692), Zululand V (15 811), Southern Cape (17 692), Western Transvaal (16 583), Eastern Province (15 815), Zululand I (15 542), Griquas (12 910), South African (17 638) and Transvaal (11 971).

The organiser for the Fosat-admitted Wood and Allied Workers Union, Mr. Pat Horn, said workers' dissatisfaction at Sappi's plant over the food, and disputes over alternate pay arrangements, instead of continuing with the canteen facilities, came to a head last Friday when one of the workers was allegedly assaulted for breaking the boycott by accepting food.

BOYCOTT

"For two weeks the workers have been boycotting the food because they complained of the poor quality. They demanded that they be paid an extra £3.50 an hour instead of continuing with the canteen facilities. One of the workers apparently resisted this protest and was allegedly assaulted," Mrs. Horn said.

Two of the workers are believed to have been arrested in connection with the incident, and when their colleagues offered to "tie him up," this request was allegedly not granted.

ANGER

"The refusal is believed to have angered the workers, who decided to demonstrate by not going to work."

Mrs. Horn, whose union is recognised by Sappi, said a spokesman for the plant confirmed the stayaway of "whole shifts."

The mill manager, Mr. A. Chamberlain, was not available for comment, but his secretary said a statement would be issued later.

The chairman of the African Workers' Association, Mr. Zimbio Khehla, whose members are represented on the T and C chemical factory at Isibhye, said some of the workers at this plant had also joined the stayaway.
Protest strike at Sappi

Tensions were high today after about 1300 workers went on strike at South African Pulp and Paper Industry's Tugela plant, over the arrest of two fellow-workers at the weekend.

Several shifts did not report for work last night and this morning. Management said that operations were continuing with a skeleton staff.

The two men who were arrested were apparently members of a vigilante group operating in the nearby township of Sundumile. The strikers have demanded their release.

A union official said that the arrested men had been involved in a dispute about canteen facilities.

Workers in the neighboring Isithobe area also stayed away, possibly in sympathy with the strikers and their demands.

Police are reported to have been present throughout the area in a bid to disperse roving groups of workers.
Province will hear Indian views on access road

Riot police disperse strikers

Mercury Reporter

MORE than 500 striking workers were dispersed by riot police using tear-gas at Mandini yesterday.

Workers from the South African Paper and Pulp Industries' largest mill had congregated outside a supermarket close to their township.

Riot police ordered workers to disperse and they did not fail to do so.

A canteen worker told Mercury Reporter that there were tear-gas shells on the township.

A large contingent of police vans patrolled the troubled township for most of yesterday morning after the workers were dispersed.

A police spokesman said last night that tear-gas had been used on a few occasions to disperse stone-throwing crowds.

Miss Pat Horn, an organiser for the Foodstuffs Association, said that workers had been detained by the police in connection with alleged assaults.

A shop steward said the strike stemmed from a dispute with management over the quality of food being served in the canteen.

Council approves R100000 water gift

Municipal Reporter

DURBAN City Council has agreed to give R100 000 to the Kwazulu Water Development Fund with urgent other local authorities to contribute as well.

The Mayor has agreed to help promote the Sugar Association for funds and the council will ask the Natal Municipal Association to adopt the project and appeal to other local authorities to contribute as well.

Mr Muller said Press reports had indicated that the people of Kwazulu were not looking after pumps that had been donated last year.

"If you do something for them they should appreciate it. Kwazulu was given R80 000 million to the government this year and they should come out on their budget," he said.

Health

If Kwazulu had no water, Mayors would support the donation, but he did not see why Durban's ratepayers should provide services to communities elsewhere in the country.

Mr Lange felt the responsibility to provide services to Kwazulu was Government one and not the city's. Mr Donald Smith said in spite of legal definitions the people of Kwazulu were very much part of the Durban work borough and we depend on their labour, he said. It was very much in the ratepayers' interest to promote the health of these people.

Mr said a Sugar Association spokesperson had explained that the first pumps would prove inadequate but these had been replaced. An education programme had also been introduced to teach people how to use and maintain the pumps.

Mr Peter Mansfield said R100 000 was a small donation in terms of the goodwill it would generate. Kwazulu needed 2 000 boreholes.

Mr Chris Hemson — who had asked the council to repeat last year's R100 000 donation — as a former Kwazulu employee he knew that the major portion of the R80 000 million budget was being spent on paying teachers' salaries. There was very little left over for developing the infrastructure.

He said workers had been boycotting the canteen for the past two weeks and an alleged assault had occurred after a man had broken the boycott.

Police had arrested two men on Saturday and yet had asked shop stewards to find another leader, Mr Skipper Mbamo, whom they also wanted to question in connection with the assault.

The two detained men, Mr Zulu and Mr Mgawe, are members of a vigilante group set up in October in keeping the peace in the township.

The workers claim that the worker who was assaulted had refused to pay charges until persuaded to do so by a Sappi security officer.

Mr Bernard Chambold, the general manager of the mill, said yesterday: 'The assaults came in the wake of police investigations into allegations that assaulted had been carried out by a vigilante squad in the nearby township.'

Court

The number of alleged assaults could not be determined yesterday. The district commandant, Col Stewart, said he was out commanding the riot police, but it is understood that the two men are due to appear in the Inyolzi Magistrate's Court today.

Mr Chamberlain said: There is no way Sappi can intervene in a police investigation. But they would be willing to sit down with representatives of the workers at any time with the object of bringing about a better working environment.

A statement issued by the union said: 'Sappi management should take responsibility for this situation. By allowing the lockout to continue for an extended period they have allowed things to escalate to the scale which has been reached.'
By STEVEN FRIEDMAN
Labour Reporter

LABOUR unrest hit the northern Natal and KwaZulu areas of Mandini and IsiThebe yesterday as 1,600 workers downed tools at the Sappi plant in Mandini and there was a widespread stay-away at plants in IsiThebe.

Police dispersed a meeting of strikers at a Mandini supermarket and then dispersed another gathering in the nearby Sundumbili township. Police beaten charged workers at the township gathering and workers responded by throwing stones at police, the Rand Daily Mail Durban correspondent reports.

It could not be established how widespread the stay-away had been in IsiThebe, but Sappi reports that stoppages were widespread and sources in the area say most factories appear to have been affected.

The Mail Durban correspondent reports that a security police spokesman said a KwaZulu Government official was in the area attempting to intervene. He declined to comment on reports of clashes between strikers and police.

A representative of Fosati's Paper, Wood and Allied Workers Union, which is recognised at Sappi,said the strike followed a boycott of canteen food by Sappi workers.

They had complained about the food and were negotiating with management for a pay rise in exchange for the food.

Matters came to a head when a worker defied the boycott and ate in the canteen. He was assaulted by two members of a vigilante committee in the township.

The two men had been arrested and workers were demanding that Sappi secure their release. They were refusing to return until the men were released.

"The whole thing has developed into a community issue. The vigilante committee is popular in the township and this is why the workers in IsiThebe are staying away until they are released," the union spokesman said.

"Management are negotiating with our shop stewards but there is no prospect of a settlement until they are released."

But Sappi has denied that the incident stems from the canteen boycott.

A statement issued by the company yesterday said management was attempting to get talks under way with PRAWU shop stewards.

"We're willing to sit down with the stewards at any time in order to sort out a solution," the general manager of the company's Tugela River plant, Mr Bernard Chamberlin, said.

Mr Chamberlin said none of the alleged assaults took place on Sappi property.
Riot police use teargas on strikers

Own Correspondent
DURBAN. — More than 500 striking workers were dispersed by riot police using teargas at Mandini near here yesterday.

Workers from the South African Paper and Pulp Industries' largest mill had congregated outside a super-market close to their township.

Riot police fired teargas when workers failed to disperse, workers said later.

A union shop steward said workers then tried to gather in the square of the Sundumbili township but were again dispersed by police.

Workers from the Sappi Tugela Mill downed tools at midnight demanding the release of two colleagues detained by police in connection with alleged assaults.

A large number of workers from the nearby Isethbe industrial area stopped work in sympathy with the Sappi workers.

A shop steward said the strike stemmed from a dispute with management over the quality of food in the canteen.

He said workers had been boycotting the canteen for two weeks and the alleged assault had taken place after a worker had broken this boycott.

The workers claim the assaulted man was persuaded by a Sappi security officer to lay charges.

Two men are to appear in the Iyindla Magistrate's Court today.

A spokesman for the mill said they were prepared to sit down with worker representatives at any time to bring about a return to work.

A statement issued by the union said, "By allowing the police to take control, Sappi management has allowed things to escalate to the scale which has been reached."

"We feel Sappi management could have done much to keep the police out of the situation and thus keep the issue as one between themselves and their employees."

---

**MC Donalds**

**Lovely New Season Fashionwear to Show You**

- A Selection that's Different
- Exclusive but not Expensive

- Smart New Winter Dresses, Suits and Ensembles — Imported and S.A.'s Best
  - See Ashleigh's new Frocks and lovely garments from Hada's of Israel.

- Exciting New Knitwear, Quite new Styles — Lots to Choose from.

---

Admiral Edwards, in the final few seconds

**Swapp testifies on US moves**

From JOHN MATISON
WASHINGTON — Lutheran pastor in northern S.W.A/Namibia who made peace talks with the United States' Senate's Disarmament sub-committee on security problems.

Mr. Emanuel Hashikho spoke in the United States Congress, where he said that Swapp was a good organizer.

Mr. Hashikho said he first Swapp to attend his education, which he called "a great blessing," and that Swapp had made an important contribution to the country and the region.

Swapp was laid off from his organist job and had to return to his country.

On a mission in S.W.A/Namibia in February 1980 there was a "coup" with the South African security forces, which killed 80 Namibians in both the towns and captured.

Mr. Hashikho and Dickson Namalo, who were held at the first day of hearings on S.W.A/Namibia by Senator J. A. Johnson.

Mr. Namalo said he was Swapp to receive an education, but a life of military training at Swapp base at Okahandja in Angola near the Zambian border.

His group infiltrated
Amic to spend R520m on new Mondi mill

JOHANNESBURG—Anglo American Industrial Corporation (Amic), SA’s biggest industrial group, is to spend R1 500-million in the next five years — R320 million of it on the new pulp mill for Mondi. So says the chairman, Mr Gavin Bly, in his annual report.

He added that Amic may suffer a dilution in earnings a share in the current year but expects to raise its dividend by the inflation rate.

Mr Bly says it is clear that 1982 is likely to be a difficult year, with lower export prices in contracting world markets.

While consumer demand is being dampened, inflation goes on at a high rate and industrial companies are having difficulty containing costs and are paying record interest rates.

'Against this backdrop, it will be difficult for Amic’s operating subsidiaries to achieve higher profits in real terms.

'However, the enlargement of the group has resulted in a very sound spread of investments across the economic spectrum and these new investments will contribute to 1982 earnings.' As forecast at the time of the merger with Debenier, there may be small dilution in earnings per share but it is anticipated that the group will be able to increase the dividend by an amount at least equal to the rate of inflation.

Mr Bly forecasts stringent monetary controls and significantly weaker domestic markets, with the greatest impact likely to be on consumer durable, residential construction and investment in private manufacturing.

'Some commentators have been quick to project this rather sombre short-term outlook into the longer term.

'It has to be acknowledged that there are new elements in the fight against inflation, most importantly in the United States, and that both the duration and the outcome of the battle remain highly uncertain and will have profound implications for the Western world in general and for SA in particular.

'However, undue pessimism can all too easily arise if we lose sight of this country’s diversified mineral and industrial re-course base.

'Ultimately a period of sustained growth in the industrial world, associated with relative stable prices, would greatly benefit all trading nations.' Benefits

'Alternatively, we are in the fortunate position to reap substantial benefits from earlier inflationary actions, if such a course is forced on Western leaders.

'The Mondi pulp mill is to be funded by equity subscriptions by shareholders, Mondi’s cash resources and borrowings already arranged. The new mill will alleviate Mondi’s chemical pulp shortage and generate substantial export revenues.

'Last year Mondi commissioned a fifth paper machine and boiler plant at a cost of R68-million, while its timber interests were expanded through the purchase of Jessievale Saw Mills and 40 percent of H. L. H.’s timber operations. Negotiations for the purchase of Umtu Pulp and Paper for R100-million are continuing.

Breakdown

A breakdown of profits shows that iron steel and engineering contributed 29 percent (27p) of earnings, timber 20 percent (24p), mining tools and contracting services 22 percent (26p), chemicals 8 percent (6p) and transport 5 percent (6p).

Nearly 84 percent of group earnings came from SA, 6.5 percent (4.2p) from the US, 4.5 percent (3.5p) from South America and Australia and 2 percent from the UK and Europe.

Shareholders’ funds with subsidiaries and investments at cost on January 1 were R1 211-million and total capital employed R2 409-million. Total debt was R425-million.

Interest paid last year was R54 378 000. This was covered 3.6 times by pre-interest profit.

Sigma Motor Corporation, 38 percent-owned, lifted pre-tax profit 0.5 percent but a R3 000 000 tax charge knocked earnings by 22 percent to R33 200 000.

— Hazel
Dozens arrested in paper mill unrest

Labour Reporter

Police were reported to have arrested dozens of people and used tear gas in the Mandini area in Natal yesterday as the effects of the strike at the large Sappi pulp and paper plant continued to spread throughout the region.

About 1200 workers went on strike at the Sappi plant yesterday morning, demanding that police release two of their colleagues arrested at the weekend for their alleged involvement in a vigilante group.

Other plants in the area also reported absenteeism and police went to nearby Sundumile township to settle unrest.

Planned talks between Sappi and shop stewards of the Fosatua-affiliated Paper, Wood and Allied Workers' Union never started as the union called its members away from the plant.

In a statement, Sappi management said they were willing to hold talks with the union, which is recognised at Sappi, but were unable to influence the police about the release of the two workers.

The basis of the dispute appears to lie in worker demands to shut down canteen facilities and instead receive extra wages in its place.

According to union sources, a worker who broke the canteen boycott was assaulted by the other two men who were subsequently arrested.

There are 1600 black workers at the Sappi plant out of a workforce of 2250. The plant's general manager, Mr Bernard Chamberlain, said operations were continuing with a skeleton staff.
Two-day Sappi mill strike ends

Labour Reporter

About 1200 workers at the Sappi pulp and paper mill in Mandini, Natal, returned to work today, ending a two-day strike.

The return followed a meeting last night of Sappi workers and officials of the Paper, Wood and Allied Workers' Union which is recognised at the plant.

The strike was the result of the arrest of two Sappi workers for their alleged membership in a township vigilante group.

A third worker was also arrested in connection with the vigilante group and all three appeared in court yesterday and were released pending a further court appearance on April 15.

It is understood that the release eased worker tensions and resulted in the return to work. The strikers had demanded their release.
Workers return at Sappi

Argus Correspondent

DURBAN. — There was a full return to work today at Sappi's Mandini plant after two days of labour disruption.

A spokesman for the firm said both the midnight and the 6 am shifts reported for duty. Indications were that today's remaining shifts would also return to normal.

Yesterday's ballot by the 1,000 workers to end the two-day stoppage followed the release on warning of three colleagues, earlier charged with assault when they appeared in the Inyoni Magistrate's court.

The three men, Mr Thembinkosi Mawaha, Mr Blufika Mabaso and Mr Mthembeni Zulu, alleged to be members of the Sundumbili township's vigilante squad, were remanded to reappear on April 16.

The workers' vote to return to work coincided with an ultimatum by the management that if they did not report for the next shift duty they would have been deemed to have resigned.
STRIKING workers from Isithebe factories and the Sappi mill at Tugela returned to work yesterday - bringing to an end a two-day stoppage which affected the whole of Sundumbili township.

On Monday about 1600 workers from the Sappi mill at Mandini downed tools, demanding that management procure the release of two of their colleagues who had been detained by the police in connection with an alleged assault.

The alleged assault stemmed from a two-week worker boycott of the canteen which workers said was serving 'disgusting food.' The man allegedly assaulted apparently broke the boycott.

The three men - another was arrested late on Monday - were members of an unofficial vigilante group started in the township in order to keep peace, according to workers.

The Sappi workers were joined in their stoppage by thousands of workers from Isithebe factories living in the Sundumbili township, who supported the call for the release of members of the vigilante group. Police have said intimidation kept many workers away from the Isithebe factories.

About 5000 workers and township residents gathered outside the Mandini supermarket were dispersed by Riot Police using tear-smoke. For the rest of the work stoppage, the township was patrolled by Riot Police in vans 'in order to prevent intimidation.'

During the unrest in the township, which lies between Mandini and Isithebe, 42 people were arrested and charged with attending an illegal gathering. The majority of these were released after paying admission-of-guilt fines.

The release of the three men who appeared in the Inyoni Magistrate's Court on Tuesday was celebrated by both striking workers and township people who carried the men on their shoulders.

Meeting

But yesterday it was all quiet in the township, according to Col J Gijsbers, Esbowe's District Commandant, who said 'some of the Riot Police' had been withdrawn.

After a meeting in the township on Tuesday night, Sappi workers decided to return to work, and from reports it would seem that most Isithebe workers followed suit.

Sappi workers said they would continue to negotiate with management over their demand for the closure of the canteen and the substitution of a 30c food allowance.
SAPPI has admitted it called in the police who arrested two workers at its Mandini plant — an action which led to two days of labour and social disruption in the Mandini-Isithebe industrial complex.

At one stage, the Sunday Tribune was told, riot police were involved in a "running battle" with more than 10,000 striking workers.

The two men, Mr Thembinkosi Mgawaba and Mr Mbonengeni Zulu, were arrested after another worker was assaulted for breaking a two-week-old canteen.

The workers are demanding an extra 30c an hour instead of the free meals which they claim are "rotten."

The company denied repeatedly in meetings with trade unions and community leaders that it called in police.

But this week Sappi personnel manager Nick Bantich told the Sunday Tribune: "We had an obligation to inform the police about an incident which happened on our property."

The arrest of the two men — members of the vigilante group in the nearby Sundumbili township which has succeeded in weeding out crime in the area — led to a walkout by all Sappi's 1,600 workers. Workers in more than 40 factories at the Isithebe complex came out in sympathy.

About 49 strikers were later arrested and charged after confrontation with the riot police.

Chairman of the Sundumbili Town Council, Mr A. M. Gcaleka, told the Sunday Tribune the township looked like a fortress as riot police engaged in a running battle with more than 10,000 striking workers.

"The whole township was a mess," he said. "Sundumbili has never seen anything like this before. This is a very quiet and peaceful place."

Mr Gcaleka said he was woken up by the police at 3am on Monday to go to speak to the Sappi workers who were refusing to work.

"I refused," he said. "I couldn't just go and tell people to go back to work when I didn't know the background to the conflict."

He said the strike affected virtually all the 20,000 homes in Sundumbili and about 45 factories at the near-by Isithebe complex. He added: "Even domestic workers didn't go to work."

On Monday morning all the striking workers congregated at a shopping centre near the plant, and asked to speak to management representatives. They were dispersed by riot police using tear-gas.

Mr Gcaleka said this action had incensed the strikers. "From what I heard the police gave them two minutes to disperse before they threw tear-gas canisters."

"The people had been very peaceful," he added. "When the riot police followed them into the township they retaliated by throwing stones."

"The people could not understand this. They had been told to leave the hypermarket because it was a white area, and then the police followed them with dogs, batons and tear-gas. They were bitter about it."

Pat Horn, organiser of the Paper, Wood and Allied Workers' Union, said the main feature of the strike was the police presence. "The thing in labour unrest is to keep the police right out of it."
Kohler Limited has acquired the flexible packaging operations of Wiggins Teape Ltd for R7 250 000 cash.

The operations involved are Wiggins Teape Flexible Packaging and its subsidiaries, Wiggins Teape Custom Packaging, Welgar Investments and Packaging Centre SA, all of which will trade under the Kohler Flexible Packaging name.

The effective date of the acquisition is January 1, 1982.

Kohler already has a substantial presence in the field of flexible packaging through manufacturing facilities in Pinetown and Cape Town.

Until now, however, it has not had a flexible plant on the Witwatersrand where the bulk of the market is concentrated.
Dumping fears

Falling international markets for paper and spare capacity in the major producing countries have generated fear of dumping on the SA market.

Sappi, the country’s largest producer of kraft liner board, has petitioned the Board of Trade and Industries (BTI) for variable anti-dumping duties against foreign producers, whose export prices are lower than their domestic prices.

In effect, this will probably mean that the maximum normal duty will be about 15% on average, except in cases where dumping takes place. In that event, a countervailing duty will be applied against dumped paper to bring its price into line with the average international price in the major producing countries.

The Sappi application was lodged with BTI after evidence was uncovered that New Zealand producers were offering kraft liner board to the SA citrus board for nearly 40% less than the domestic NZ price.

It is understood that the deal has fallen through and that the citrus board has reverted to local supply.

In the meantime, the Deciduous Fruit Board (DFB) has announced that it intends to buy liner board from a Chicago producer on highly favourable terms. It has also stated that it will oppose Sappi’s application for an anti-dumping device.

It is understood that the DFB has already been given an import permit — one of the largest ever granted for paper.

The DFB is the largest consumer of corrugated boxes in the Cape. In the current export season, now drawing to a close, it expects to ship more than 23m cartons of fruit overseas, while domestic sales increased 40%

The DFB mail orders for more than 60% of its output, and the corrugated paper is supplied under contract to the department.

The department cooperates with the Shand Building Company to ensure that the board used in their order is of the required grade.

The board is inspected by officials before it leaves the mill and only quality products are accepted.

As the department’s Inspectors are on duty at all times, it is guaranteed that the quality is maintained.

The department also takes steps to ensure that the paper is delivered on schedule and that the quantities ordered are correct.

Sappi, the country’s largest producer of kraft liner board, has petitioned the Board of Trade and Industries (BTI) for variable anti-dumping duties against foreign producers, whose export prices are lower than their domestic prices.

In effect, this will probably mean that the maximum normal duty will be about 15% on average, except in cases where dumping takes place. In that event, a countervailing duty will be applied against dumped paper to bring its price into line with the average international price in the major producing countries.

The Sappi application was lodged with BTI after evidence was uncovered that New Zealand producers were offering kraft liner board to the SA citrus board for nearly 40% less than the domestic NZ price.

It is understood that the deal has fallen through and that the citrus board has reverted to local supply.

In the meantime, the Deciduous Fruit Board (DFB) has announced that it intends to buy liner board from a Chicago producer on highly favourable terms. It has also stated that it will oppose Sappi’s application for an anti-dumping device.

It is understood that the DFB has already been given an import permit — one of the largest ever granted for paper.

The DFB is the largest consumer of corrugated boxes in the Cape. In the current export season, now drawing to a close, it expects to ship more than 23m cartons of fruit overseas, while domestic sales increased 40%

The DFB mail orders for more than 60% of its output, and the corrugated paper is supplied under contract to the department.

The department cooperates with the Shand Building Company to ensure that the board used in their order is of the required grade.

The board is inspected by officials before it leaves the mill and only quality products are accepted.

As the department’s Inspectors are on duty at all times, it is guaranteed that the quality is maintained.

The department also takes steps to ensure that the paper is delivered on schedule and that the quantities ordered are correct.
CONSOL spends R42-m on plant by January next year the company
will be able to meet South Africa's
requirements without recourse to im-
ported products.
This year Consol will import 10 000
tons of glass bottles.
While not venturing a remark about
Nampak's foray into territory tradi-
tionally Consol's, the company's direc-
tors may well see Nampak's move
(to some extent and provided that
Nampak's market share does not
exceed 10%), as serving Consol's
purposes.
The company carries a burden as
the country's sole supplier, insofar as it
must meet requirements, sometimes
irrespective of profitability. Imports,
for instance, are sold at a loss.
A competitor will presumably be
obliged to shoulder a portion of that
burden by also carrying some of the
less profitable product lines.
In addition, Consol is known to be
keen to see the abolition of price con-
trol in the industry, and its submissions
to the controller would carry a lot
more weight if it were not in a monop-
ollistic position.
The R180-million glass-packaging
industry, which has seen growth of
20% a year for the past three years, is
likely to achieve a 10% growth over
the next 12 months, says Mr Roo.

By Colin Bower

Turkmen contractor is Combinate
Construction, and the total cost of
the project, including land and escalation,
is R46-million.
Phase 1 at Consol's Clayville factory
will increase the company's output by
between 10% and 15% to 600 000 tons a
year.
Phase 2, scheduled to come on
stream by about this time next year,
will further increase output to 600 000
tons.
Hennie Rooe, general manager of
the company's glass division, says that
CONSOL is to build a R8-
million factory near Cape
Town for the manufacture of
corrugated-paper containers.
Consol entered the corru-
gated container market two
years ago when it acquired
Time Packaging Corporation
in Alberton.
"Gert du Toit, general man-
ger of Consol's paper pack-
ing division, says commis-
sioning of the new plant is
planned for early next year,
in time for the fruit-packing
season."
"This investment," says
Mr du Toit, "provides the
company with a direct means
of entering a lucrative, large
corrugated container mar-
ket, a major portion of which
is aligned with the Cape fruit
industry."
Initially the plant will pro-
provide employment for 180, and
products will include all
types of corrugated cartons
and divider for carton boxes.
With Consol diversifying
into paper and plastics, Nam-

Transport & General Workers Union

Amalgamated Engineering Union of South Africa
Amalgamated Society of Woodworkers
Black Allied Workers Union
Electrical and Allied Trade Union of S.A.
Engineering and Allied Workers Union
Engineering Industrial Workers Union of S.A.
General Workers Union
General Workers Union of South Africa
Iron Moulders Society of South Africa
Metal and Allied Workers Union
Motor Assembly Components Workers Union of South Africa
Motor Industry Employees Union of South Africa
Motor Industry Combined Workers Union
Motor Industry Staff Association
National Union of Engineering, Industrial and Allied Workers
National Union of Motor Assembly & Rubber Workers of S.A.
Radio Television, Electronic and Allied Workers Union
S.A. Boilermakers, Iron and Steelworkers, Shipbuilders and Welders
S.A. Electrical Workers Union
S.A. Iron, Steel and Allied Industries Union
S.A. Tin Workers Union
South African Allied Workers Union (SAAWU)
Steel, Engineering and Allied Workers Union
Transvaal, Radio, Television and Allied Workers Union
United African Motor and Allied Workers Union
Nampak workers strike

WORKERS at two companies in the Johannesburg area went on strike this week after making wage demands from management. In another incident, 95 other workers were fired after demanding the transfer of a white supervisor.

At Nampak Polyfoil, near Nancefield, over 200 workers downed tools after demanding a wage increase. The workers demanded a general increase of 85 percent.

A statement issued by Nampak management confirmed that no workers arrived at the factory on Monday and that the company was prepared to discuss the situation with the workers, but so far none of the workers has come forward to discuss the issue.

On Monday morning, 30 workers were also reported to have downed tools at Republic Brushware in Robertsham. A worker spokesman said they were demanding a wage increase. She claimed some of them were presently earning about R19 a week. A company spokesman,
Unionists say strikes should be a last resort

Mercury Reporter

WORKERS went on strike only in the face of an absolutely uncompromising management, Natal trade unionists said yesterday.

They were responding to KwaZulu’s Minister for the Interior, Dr Frank Mdlalose’s policy speech in the Legislative Assembly earlier this week in which he said that “a strike should not be accepted as the only solution to industrial disputes, as some trade unionists appeared to think.”

Dr Mdlalose also said strikes could have far-reaching effects on both industries and workers and should be resorted to only after serious contemplation and consultation.

A northern Natal organiser for Fosatu, who asked not to be named, said that any astute unionist knew that strikes should be used as a last measure because of the possibility of people losing their jobs.

“Strikes only happen when management refuses to have anything to do with workers or, as was the case with last month’s strike at Mandini, when management calls in the police.”

The strike at Mandini was sparked off by a dispute between workers and management at Sappi’s Tugela mill, but they were supported by thousands of workers from the nearby ‘border’ industrial area of Isithebe.

She said it was quite evident in the dispute at Sappi that worker representatives had tried to negotiate with management in order to avoid a strike, but this had failed.

“In the face of complete intransigence, it then be-

Blind meeting
SA Pulp and Paper Industries (Sappi) is currently in the throes of an R800-million expansion programme which will make the group one of the largest single undertakings by private enterprise in the country and the largest single paper industry project in the world now in progress.

Sappi already supplies half of South Africa’s pulp and paper needs. A new mill at Ngodwana near Nelspruit, as part of the first phase of the expansion programme, will raise the company’s overall capacity from 600 000 to 860 000 tons of pulp, paper and tissue a year.

It will make Sappi self-sufficient in pulp requirements and still leave substantial tonnages available for export. In coming years the company will be able to meet the growth in local demand.

The expansion programme is split into three phases:

**PHASE ONE:** This will see the installation of a machine at Ngodwana with a capacity to produce 140 000 tons of newsprint a year from mid-1983. Sappi’s existing newsprint machine at Enstra will be converted to the production of fine papers.

The conversion will enable three existing fine paper machines at Enstra mill near Springs to be phased out. Timed to come on stream simultaneously in the second half of 1983 there will be additional plants at Enstra to produce bleached pulp for the production of fine paper. The Enstra part of the programme thus dovetails with Ngodwana and will absorb about R35 million of the R800 million.

**PHASE TWO:** Development at Ngodwana will start at the same time as Phase One, but will take until 1984 to complete.

This will be the major part of the expansion programme, adding some 260 000 tons yearly capacity for producing unbleached pulp.

The additional pulp output will immediately replace imports that Sappi presently needs in order to keep existing paper and tissue manufacturing plants operating, will cope with market growth and will leave substantial tonnages of bleached pulp available for export to Sappi customers in Europe and the Far East.

**PHASE THREE:** Will be completed in 1985, adding 150 000 tons a year capacity of kraft liner and fluting. Agreements in principle have been reached for the export of up to one third of this production to Sappi customers in the Far East.

The newspaper machine, on which Phase One centres, will produce offset-quality newsprint.

It will include a separate wood handling system for processing pine logs, which will be debarked and cut to 1.2m lengths before being fed into the mechanical pulping system.

This will consist of eight conventional grinders, each powered in tandem by a 4 400 kW motor and two modern pressure graders each powered by a 3 000 kW motor. Phase One includes a modern coal boiler which is also capable of burning bark so as to reduce energy costs.

The mechanical pulp produced by the groundwood system will provide about 85 percent of the pulp for the newsprint machine. This will be supplemented by semi-bleached long fibre chemical pulp supplied by the pulp mill to be constructed in Phase Two.

The paper machine itself will be a high-speed machine capable of producing at 1 680 metres a minute and will have a deckle of 6.68 m. It will incorporate the latest in twin wire technology in the form of a Bell-Bole unit. The machine has been ordered from Bellerwaldsey Limited of the UK and is scheduled for shipment later this year.
SA PULP and Paper Industries (Sappi) is currently in the throes of a R800-million expansion programme which will make the group one of the largest single undertakings by private enterprise in the country and the largest single paper industry project in the world now in progress.

Sappi already supplies half of South Africa's pulp and paper needs. A new mill at Ngodwana near Nelspruit, as part of the first phase of the expansion programme, will raise the company's overall capacity from 600 000 to 860 000 tons of pulp, paper and tissue a year.

It will make Sappi self-sufficient in pulp requirements and still leave substantial tonnages available for export. In coming years the company will be able to meet the growth in local demand.

The expansion programme is split into three phases.

* PHASE ONE: This will see the installation of a machine at Ngodwana with a capacity to produce 140 000 tons of newsprint a year from mid-1983. Sappi's existing newsprint machine at Enstra will be converted to the production of fine papers.

The conversion will enable three existing fine paper machines at Enstra mill near Springs to be phased out. Timed to come on stream simultaneously in the second half of 1983 there will be additional plants at Enstra to produce bleached pulp for the production of fine paper. The Enstra part of the programme thus dovetails with Ngodwana and will absorb about R35-million of the R800 000-million.

* PHASE TWO: Development at Ngodwana will start at the same time as Phase One, but will take until 1984 to complete.

This will be the major part of the expansion programme, adding some 260 000 tons yearly capacity for producing unbleached pulp.

The additional pulp output will immediately replace imports to Sappi's present needs in order to keep existing paper and tissue manufacturing plants operating, will cope with market growth and will leave substantial tonnages of bleached pulp available for export to Sappi customers in Europe and the Far East.

* PHASE THREE: Will be completed in 1985, adding 150 000 tons a year capacity of kraft liner and fluting. Agreements in principle have been reached for the export of up to one third of this production to Sappi's customers in the Far East.

By PAT FARLEY

The newsprint machine, on which Phase One centres, will produce offset-quality newsprint.

It will include a separate wood handling system for processing pine logs, which will be debarked and cut to 1.2 m lengths before being fed into the mechanical pulping system.

This will consist of eight conventional grinders, each powered in tandem by a 4 400 kW motor, and two modern pressure grinders each powered by a 3 000 kW motor. Phase One includes a modern coal boiler which is also capable of burning bark so as to reduce energy costs.

The mechanical pulp produced by the groundwood system will provide about 85 percent of the pulp for the newsprint machine. This will be supplemented by semi-bleached long fibre chemical pulp supplied by the pulp mill to be constructed in Phase Two.

The paper machine itself will be a high-speed machine capable of producing at 1 000 metres a minute and will have a deckle of 6.68 m. It will incorporate the latest in twin wire technology in the form of a Bel-Baue unit. The machine has been ordered from Beloit-Walmsley Limited of the UK and is scheduled for shipment later this year.
TWO members of the Hotel, Liquor, Catering and Allied Workers' Union of SA have claimed that a white official of Success Pack Company in Krugersdorp threatened to assault them when they tried to negotiate on behalf of about 40 strikers at the plant.

The union's president, Mr Hamilton Makedama, told The SOWETAN yesterday that the two unionists were forced to leave the premises of the company when officials refused to talk to them.

The two members, Mr Oscar Malgas, national organiser, and Mr Sydwell Magam, education secretary, had gone to the plant to negotiate on behalf of the workers who had demanded higher wages and recognition of the union.

Mr Makedama said that a Mr Claassen had told him that all the workers had been sacked and refused to talk further with regarding their positions.

The unionists were then told to leave the premises, but they insisted that they represented the workers. They were then threatened with assault.

Mr J C Claassen, chairman of the company, said that he had no knowledge of the union members being threatened.
Fired workers win historic reinstatement

A labour law judgment described by lawyers as being "of international significance" has been handed down by a full Bench of the Supreme Court's Transvaal Provincial Division.

Mr Justice Kees van Dijkhorst upheld an appeal by seven dismissed employees of Stag Packings in Springs and Fosatu's National Union of Textile Workers against a Supreme Court ruling made last year.

The applicants had originally asked for an order declaring the dismissals null and void and securing the workers' reinstatement.

They had also sought an interdict preventing the company from victimising the workers because of their union membership.

The application was refused by Mr Justice Nestadt. He drew on a long-standing common law principle that it is contrary to public policy to enforce the contract of employment compelling an unwilling employer to re-hire dismissed employees.

On appeal the Supreme Court has ruled that this principle "had been falsely elevated to the status of a rule of law" and that dismissed employees are entitled, at court discretion, to normal recourse for breach of contract.

Mr Justice van Dijkhorst said the object of the Labour Relations Act was to give trade unions juristic personality and status so that they could be conducive to good labour relations.

The Wage Act furthered similar aims and both laws sought to prevent victimisation of employees because of trade union membership, he noted.
Sappi pension fund rules amended

Mercury Reporter

PULP and paper giant Sappi, employing a black labour force of 14,000, has made significant changes to the company's pension rules following a year of negotiations with worker representatives.

Negotiations have been ongoing since workers at Sappi's Tugela mill downed tools during last year's wave of strikes sparked off by the proposed Pensions Preservation Bill.

In the light of the discussions, the trustees of the fund have recently agreed to amend the rules in order to accommodate some of the grievances raised by Sappi workers.

The trustees raised the interest rates on members' contributions from 4 percent to 6 percent compound interest, the retirement age has been changed from 65 to 55 and a funeral benefit has been introduced which pays out R500 to the widow.

The company also agreed to make it possible for workers to get education and housing loans.

Addressing the problem of a three- to six-month delay in getting tax clearance before pension money can be paid out, the company agreed to pay a maximum of R600 to a worker immediately on leaving the company which would then be deducted from his pension money when cleared.

But, a union source said, a major worker request that the fund be made voluntary was refused by the company.
SAPPITUS giant R800-million pulp and paper plant at Ngodwana, in the Eastern Transvaal, revealed plans this week to make it a force in the world pulp and paper market.

Sappi's managing director, Eugene van As, says the paper giant is taking a positive and optimistic view of its chances in the international market.

A proportion of Ngodwana's production has already been sold to markets in the Far East and pulp has been sold to a trading house, which operates in Europe.

Although there is currently a worldwide over-capacity in the industry, projections show that the market will turn around by 1985.

The Ngodwana mill will be able to start exporting in 1984, when phase two - the major part of development on the vast project - will be completed.

This will add 260 000 tons annual capacity for producing unbleached pulp, of which 200 000 will be converted to bleached pulp.

The additional pulp output will immediately replace imports that Sappi currently needs in order to keep existing paper and tissue manufacturing plants operating, will cope with market growth and will leave substantial tonnages of bleached pulp available for export to Sappi customers in Europe and the Far East.

By 1985, the third phase of Ngodwana will be in operation. Sappi's capacity will then have been raised from 600 000 tons to 860 000 tons of pulp, paper and tissue a year.

That will leave substantial tonnages of pulp available for export.

In addition, phase three will add 150 000 tons a year capacity of craft liner and fluting. Agreements in principle have been reached for the export of up to one-third of this to Sappi customers in the Far East.

Mr van As believes that Japan offers the best export opportunities, although the European market "could be interesting".

The Japanese paper market is one of the largest in the world. Japan is phasing out its pulp mills, which have become totally uneconomic.

South African paper is competitively priced against European and US products, having the edge on costs of transport, energy and labour, plus the natural advantage of quick-growing timber.

Sappi has gone against the world trend by undertaking the Ngodwana project at this stage.

It is one of the largest single capital projects yet undertaken by private enterprise in South Africa and is one of the largest projects underway in the world.

At a cost of R800-million, the project is three times more expensive than the cost of establishing a gold mine.
in the bowed
colossus rises
Paper Industry

Sappi's R800 million venture
R600 m found for pulp mill at Richards Bay

Financial Editor
FINANCE for Mondi's R600 million pulp mill at Richards Bay has been secured, managing director Mr Reg Donner said yesterday during a Press tour of the site.

The share capital of the company, which is owned in the Anglo American group, is to be expanded by R150 million, with each of the current holders putting in their share of the new capital.

This will affect De Beers, Amic and Anglo American. The rest — R450 million — will be provided by Nedbank, Standard Bank, Barclays Bank and the Trust Bank group.

The mill will be able to take the full benefit of decentralisation incentives, Mr Donner said.

Half of the output will provide the existing mills (Mondi, Hulett and SA Board) with a supply of pulp which up to now has been imported, while the balance will be exported to bring in a further $100 million.

The massive site will be able to fit six of the Merobank developments (there are five mills there) with initial plans for another pulp plant and four future paper mills at Richards Bay.

Orders for equipment, have been placed — many of them at highly favourable fixed price contracts — and tenders for the civil works are expected to be awarded soon.

The mill will generate 60 MVA, or two-thirds of its electrical needs, and will make its own chemicals on site from salt brought from Namibia.

Mr Donner said that environmental considerations had been closely monitored by the Depart-

MR Reg Donner, managing director of Mondi Paper Company.

ment of Health who had laid down stringent requirements for the quality of the effluent pumped to sea and the air emissions.

He disclosed that the proposal to take over the Usutu Pulp mill in Swaziland had been shelved following the death of King Sobhuza, but that Mondi would continue to buy from them.
Mondi to export R200m annually from Richards Bay mill

By JOHN MULCAHY

RICHARDS BAY — Mondi Paper Company’s exports should double to about R200-million a year when its new Richards Bay plant is completed.

The R600-million scheme, on which the basic infrastructural work is well advanced, is scheduled for completion in October 1984.

The sprawling 400 ha site lies about six kilometres from Richards Bay harbour and half the expected output of bleached pulp and line board will be exported.

Mondi’s earnings have grown to R37-million last year from R15-million in 1974, and in 1981 turnover was R425-million while total capital employed was R599-million.

Mondi’s managing director Mr Reg Donner said yesterday the contract would be awarded within a couple of weeks and an as yet unknown consortium is believed to be the leading contender for the huge contract.

Financing of the new plant, said to be the biggest Greenfields pulp mill complex constructed at any one time in the world, will be partly by equity participation and partly by loan finance.

Mondi’s major shareholders, Anglo, Amic and De Beers will together be responsible for R150-million and the remaining R450-million will be provided by a consortium of banks comprising Nedbank, Standard, Barclays and Trust Bank.

Some portions of the imported equipment will be financed by offshore loans involving sterling, deutschmark, French francs, Swedish krona, Finnish markka, US$ and Canadian dollars.

Mr Donner said most orders for the major plant had already been placed “under very favourable terms of fixed price contracts and with supplier and export credit facilities at extremely reasonable rates of interest”.

The Richards Bay complex is designed to produce 670 000 tons a year of bleached, unbleached and high yield pulp which will feed a paper machine to produce about 200 000 tons of line board a year.

As an indication of the huge cost escalation that has plagued the industry over the past ten years Mondi’s initial investment at its Merrybank plant in Durban including infrastructure and two paper machines was R42-million at 1970 prices. Six years later at 1976 prices the installed costs of a single additional paper machine was R24-million.

By 1989 the fourth paper machine was installed at a cost of R70-million and the fifth mill was completed last year at about the same cost.

In all, investment at Merrybank was about R247-million while current replacement costs is over R300-million.

The Merrybank complex now has an estimated mill capacity of 1 300 000 tons a year.

The Richards Bay mill will use 2 500 000 tons of logs, 15 000 tons of limestone and 100 000 tons of coal a year.

Construction will involve 55 000 tons of equipment, 55 000 tons of concrete and the moving of 650 000 m$ of earth. During construction up to 5 000 people will be employed on site and the running of the completed project will require about 1 000 employees.

Describing the Richards Bay site as one of the best he had seen in the world, Mr Donner said the major advantages were its proximity to an industrial area, good harbour facilities, plentiful water and the capability of expansion. The site acquired by Mondi was big enough to accommodate four mills of a similar size.

A feature of the design is that the mill will produce enough steam to generate most of its own electricity needs — about 80 MW.
MONDI

Paper profits

When Mondi's new R860m plant comes on stream at Richards Bay (RB) in 1984, SA should be entirely self-sufficient in pulp for the board and paper industries. Mondi currently imports the bulk of its pulp from Canada and Finland. The RB plant, which will be one of the biggest single pulp ing operations in the world, will produce 470,000 t of bleached and unbleached pulp a year.

Half the bleached pulp will be converted into paper products at Mondi's existing paper mills. The other half, together with the liner board produced at the RB site from unbleached pulp, will be exported. Mondi MD Reg Donner says: "This will add another $100m to the $100m Mondi is already earning through the export of newsprint."

Additional pulp will filter through to SA's paper and board industries once Sappi's new pulp plant in the eastern Transvaal comes on line. The production programme is roughly the same as Mondi's RB plant. Although Sappi will initially have spare pulp capacity, the intention is to process the bulk of the mill's chemical pulp into finished paper and board products. Final-capital costs will consequently be closer to R850m because of the additional machines required.

Donner confirms that Mondi is likely to meet Sappi in the export market once both plants are in full production. The export market for pulp and paper, he says, is currently "very depressed," but he expects an improvement by the time the new facilities come on stream.

He is confident that the 140,000 t of pulp which Mondi plans to release on the export market will be absorbed. He notes that Mondi has already established export contracts for paper products with 30 countries and looked carefully at the export market before making its new commitment. "Primarily, we will be looking to the Far East," he says. "There are huge and growing markets there."

Mondi, as the largest private timber grower in the country, has the capacity to supply all its own timber needs. But, according to Donner, this is not the intention. Mondi, he says, will contract with as many independent suppliers as possible to encourage new afforestation. He sees the bulk of the new mill's timber coming from KwaZulu, Natal, Swaziland and the eastern Transvaal. "The new railway line to Richards Bay via Swaziland will enable us to drain the whole of the timber growing area," he says.
Massive Mondi mill set for huge turnover

By Jeremy Rees

ON PAPER, Mondi’s massive R600 million pulp mill at Richards Bay will be one of the largest complexes of its kind in the world.

Already, the largest board and timber organisation in South Africa, the Mondi group is building the 1500 tons-a-day pulp mill on a site covering some 500ha.

Construction is well under way and, after the project is completed in October 1984, the mill is expected to produce nearly 500 000 tons of pulp a year.

The mill will initially employ 1 000 people but the site is laid out for huge future expansion and it is hoped that forest development will lead to employment for a further 6 000.

The mill will use 2 5 million tons of logs, 40 000 tons of salt, 15 000 tons of limestone and 100 000 tons of coal a year.

Five thousand workers will eventually be employed in the construction which will involve 55 000 tons of equipment and 85 000 tons of concrete.

The Mondi group is the largest private timber grower in the country controlling more than 250 000 ha of forest.

Mondi’s impact on Richards Bay will be enormous and 100 housing units are to be built by the group for its staff in the area.

Outlining the company’s future plans, Mondi’s managing director, Reg Donner, said exports would be doubled — bringing in more than R2 million in foreign currency.

Early in the 1960s Anglo American decided to enter the paper business and started the Morebank mill on a 17ha swampy site in Durban with an investment of R32 million.

By 1980 the company had moved into the top 10 in the world with an annual turnover of R255 million.
Giant Sappi plant beats schedule

By Stan Kennedy

Construction work at Sappi’s R500 million pulp and paper complex at Ngodwana in the Eastern Transvaal is nearing completion, well within original time schedules.

A new machine will increase fine paper production by 40,000 tons a year and raise Sappi’s overall pulp and paper capacity to 860,000 tons a year.

RAW MATERIALS

A mechanical pulp mill using atmospheric and pressure grinders will provide 85 percent of the raw materials required by the newsprint machine at Ngodwana.

This will be supplemented with semi-bleached softwood chemical pulp supplied from an unbleached pulp plant with a capacity of 360,000 tons a year. The plant forms the major development in Phase Two and will be completed in 1984.

About 200,000 tons a year will be converted to bleached pulp. The other 80,000 tons each year will replace the imports. Sappi currently needs to keep existing paper and tissue manufacturing plants operating.

EXPORT HOPES

The company will then be able to cope with market growth in the Far East and Europe.

The third and final stage starts later this year and involves the installation of a high-speed linerboard machine. This development is also expected to be free of snags and it is probable the completion date will be brought forward from early 1985 to late 1984.
Kohler negotiates to acquire DRG interests in SA

Financial Staff
31/1/83

Despite repeated denials from DRG and Kohler that acquisition talks were under way, the market has again been proved correct with the negotiating to acquire the South African and Zimbabwean interests of DRG of Britain.

No further details have been released, but shareholders are advised to exercise caution in dealing in DRG shares.

DRG of Britain holds 70 percent of the local operation's 12.0 million issued ordinary shares, worth about R17 million at Friday's closing price of 205c.

EARLIER DENIAL

DRG shares on the stock market rose sharply recently, touching 246c at one stage — only to fall back following a denial by DRG (UK) executive vice chairman that talks were taking place.

DRG South African has a net asset value of about 322c.

In 1981 DRG cut its dividend to 12c from 23c and reported a 43.8 percent drop in profits to R2.7 million.

Golds open a shade better on JSE

By Pieter de Vos

Gold shares opened a shade better in line with the Hong Kong bullion prices, but the market was exceptionally quiet as most local and overseas investors extended their weekends.

Industrials and financials were firm at present levels, overshadowing gold shares.

Brokers said prospects for gold this year seemed even better than a few days ago, giving solid support to the gold sector.

A new bull market was born on Wall Street late in the summer of 1982. Most analysts agree the market will need increased help from the economy to remain strong.

The Federal Reserve Board will have to bring down interest rates. Lower US rates and higher inflation boost gold.

Another international financial crisis may be looming in Brazil. Rumours have been that the nation could go broke March 1, leaving enormous debts unpaid. As a traditional haven for funds in times of economic unrest, gold could also benefit from this.

As an economic barometer, trading on the JSE portrays better times — in line with a higher trend worldwide.
New industry
for Berlin

BY TOM LOY
Business Editor

EAST LONDON — A Johannesburg industrialist is to set up a new industry at Berlin.

Mr. Willi Euler is buying a site from the East London City Council and proposes to build a factory to manufacture paper products.

He told me in the region of 200 new jobs would be created in the first year of operation.

An investment of between three and a half and four million rands is envisaged. Work on the factory building will start in three to four months and it should be ready for production by the end of the year.

Mr. Euler said it would be premature to give any more details of the project at this time.

The Mayor of East London, and chairman of the Border Metropolitan Development Corporation, Mr. Errol Spring, welcomed Mr. Euler’s decision to set up his factory at Berlin.

“With new industry this is the first fruits of the decentralisation drive,” Mr. Spring said. “We now look forward to an escalation in the establishment of new industry in the East London metropolitan area.”
Kohler takes 70 pc share in DRG (SA)

Kohler — the packaging giant — has acquired 70 percent of DRG (SA), and the entire issued share capital of Drupak Beheer BV, the company which controls DRG interests in Zimbabwe.

Kohler shareholders were asked to approve this in a circular which stated that the acquisition, at a cost of R32.8 million, would be of long-term strategic importance to the company’s development as a major force in the packaging industry.

According to the circular, the acquisition of the remaining 30 per cent of DRG (SA) would cost Kohler a further R10.2 million.

BORROWING

It also notes that arrangements are in hand for Kohler to increase its existing short and medium-term borrowing facilities to complete the acquisition without upsetting Kohler’s sound financial ratios.

The DRG (SA) minority shareholders will be given the opportunity to invest in Kohler.

As both groups’ preliminary results for the year to December 31 are expected to be announced next week, the circular does not spell out the effect of the acquisition on Kohler’s earnings in any detail.

The terms of the Kohler/DRG paper exchange will be announced around the end of next week.
FOSATUS Paper, Wood and Allied Workers' Union has gained an advance in its attempt to bargain outside an industrial council.

It has been recognised by Carlton Paper in Wadeville, which means two of the four paper employers have agreed to bargain outside the council.

There has been employer association pressure on firms not to bargain outside the council.

Clearly, the paper union feels more able to resist pressures to join a council than Fosatu's Metal and Allied Workers' Union, which recently joined one.
Kohler and DRG disappoint

By Alec Hogg
Assistant Financial Editor

The results of Kohler and its soon to be acquired subsidiary DRG for the year to end December are highly disappointing.

In last year’s annual report, Kohler chairman Mr Basil Landon said that despite an expected deterioration in economic conditions, “the company has budgeted for earnings growth in 1982 in excess of its strategic plan target of 20 percent.”

FALL OF 23.2 PERCENT

Even when the interim report was released in August, the directors predicted that earnings would match the previous year’s levels.

But results released today show earnings for the full year to be down from £125.5c a share to 150c a share — a fall of 23.2 percent.

More significant, however, when the second half figures are compared with the same period in 1981, the decline is a sharp 46 percent, from 101c to 54.5c a share.

Considering turnover was 12.6 percent higher in the second half when compared with the same period in 1981, the fall in margins must have been devastating. For the year as a whole turnover was 32 percent up on 1981, which emphasises the worsening business conditions in the second half.

In comment attached to today’s results, the directors say problem areas in the group are Wiggins Teape, and the manufacturing sections of Rigid Plastics and General Packaging.

Although DRG managed to improve on the first half’s results, its performance in the second half was also disappointing.

When the interim results were released in August, the company forecast that earnings for the full year would be positive.

Today’s announcement shows that the company fell well below this target, reporting a loss of £799,000 for the full year, equivalent to 14.3c a share. And this figure was bolstered by a surplus of £899,000 for the sale of property.

This year, however, should prove to be the turning point for the enlarged Kohler group, which with the acquisition of DRG now boasts turnover of £335 million, making it the second biggest packaging group in the country.

From all indications, Kohler picked up DRG at a bargain basement price.

RETURN OF 20 PERCENT

Although the price of £34.2 million is a discount of only 12 percent on DRG’s net worth of £39 million, the difference between the returns achieved by the two managements is such that the acquisition should pay for itself in just over four years.

Even during 1982, when Kohler’s results were certainly the worst in many years, the group managed to make a return of 20 percent on shareholders’ funds.

By comparison, the best return which DRG has achieved in the past six years is 18.6 percent, while the average for the five years to end 1981 is a more humble 14.8 percent. Kohler’s equivalent figure is nearly 30 percent.

Considering the benefits which rationalisation of the two groups will have, it is highly likely that Kohler can achieve a return of at least 20 percent on DRG’s assets.

This is equivalent to £7.8 million a year, and puts the acquisition on a price-earnings ratio of just 4.4 — well below the paper and packaging sector’s average of 6.3.

Comment: Although Kohler’s share price may adjust to lower levels following today’s results, it looks to be a good bet in the longer term.

Since DRG is set to become a wholly-owned subsidiary, its different divisions can be amalgamated into the larger Kohler structure.

Provided Kohler’s internal problems can be sorted out, the group should be able to post significantly higher earnings in the present year.

Any price weakness will present a buying opportunity.
The announcement that Nampak is to buy out minorities in its 86 percent controlled subsidiary Premier Paper, has taken some of the sparkle from the group’s excellent performance in the six months to end-March, writes Alec Hogg.

At a time when most other industrial groups were battling to hold their dividends, let alone earnings, Nampak increased its interim payout by 14 percent.

EXCELLENT
But despite Nampak chairman Mr Bas Kardol’s cautious forecast that “assuming the prevailing economic conditions do not deteriorate further, it is expected the results for the current financial year will exceed those of the previous financial year”, there is little reason to expect the final will not be raised by a similar proportion.

The timing of a R46 million investment in the glass sector is excellent. The plant will be commissioned in August, which suggests the tax rate for the full year will fall sharply, with a higher final dividend consequently a distinct possibility.

Nampak’s tax rate in the half year under review fell slightly from 40,6 percent last year to 39,9 percent.

The group experienced only a slight decrease in pre-tax margins, with the return falling from 16,4 percent to 16,3 percent.

This was mainly a result of a drop from R3,2 million to R1,1 million in the interest bill. Pre-interest margins were down from 17,6 percent to 16,7 percent.

Nampak chairman, Mr Bas Kardol, said the saving of 65 percent in the interest charge was a result of “tighter control on working capital”. The lower level of rates throughout the economy also helped.

Despite the buying out of minorities, Nampak’s level of borrowings should also not be affected.

Total cost of the exercise is R3,36 million, minimal for a group with borrowings of over R25 million.

Other reasons given for the group’s good performance are improvements in cost control, rationalisation benefits and improved asset management.

PREMIER RESPONSIBLE

Premier Paper minorities have been offered a good deal. Accepting the cash option of 975c gives a premium of 15 percent on the true net asset value (after adding back write-offs of 845c. This compares with the market bid price of 710c yesterday.

While this option may be attractive to investors with relatively low taxable income, other minorities would do well by accepting the option to convert holdings into Nampak shares at an effective price of 1250c. This compares with the current share price of 1325c bid.
MORE than 300 workers yesterday downed tools at Premier Paper (Pty) Limited in Kliprivier, near Alberton, demanding the reinstatement of a fired colleague and better wage increases.

The workers are all members of the Federation of South African Trade Unions (Fosatu) affiliated Paper, Wood and Allied Workers' Union (Pwawu). The company's premises were deserted yesterday afternoon as workers congregated with union officials outside the gates.

A company spokesman, Mr Coenie Meyer, said: "A work stoppage of 300 employees of the Kliprivier mill of Premier Paper, part of the Nampak group of companies, occurred at 6 am today (Monday). Workers arrived for the first shift and did not report for duty. The management of the mill has been negotiating with the local plant shop stewards and the union's full time representatives and the negotiations are still proceeding."
A strike was called at a firm, with a workforce of 350 downed tools yesterday at Premier Paper (Lid) Ltd in Kliprivier, Northern Cape.

A spokesman for the union said workers downed tools after management had given selective pay increases to only a few workers.

"The workers also downed tools in sympathy with a colleague who was dismissed without a shop steward being present," he said.

The company said it would negotiate only when the workers resumed work.
350 go on strike at Barlow firm

Labour Correspondent
PREMIER PAPER, the first paper employer to agree to negotiate wages with a union outside an official industrial council, was hit by a strike at its Kilpivier mill yesterday.

About 350 workers downed tools over a wage dispute and by late yesterday the strike appeared to be continuing. The company is a subsidiary of the giant Barlow Rand group.

A source in the Federation of SA Trade Unions' Paper, Wood and Allied Workers' Union, which Premier recognises, said yesterday that the workers downed tools because some had received "unilateral" increases from management while others had not.

According to the union, workers are also unhappy because management told them that the union had agreed to the decision to award increases to some workers only. "This is totally untrue," the source said.

Attempts to contact Premier management were unsuccessful yesterday. The Rand Daily Mail was told that the mill's managing director was at a meeting.

According to the union source, workers have been "unhappy" since the company agreed to only a 13% wage increase during negotiations late last year.

The source alleged that Premier was "a very profitable company which has not been affected by the recession".

He said discontent had flared this year when the company gave increases to workers in some wage categories but not in others. This had happened twice, the last such rise being granted last week.

"Workers say that if the company can afford to give some of them increases, they can afford to give them to everybody."

The source alleged workers were also unhappy about "briefing sessions" within the company "where workers are told that the union has agreed to things which it did not agree to."

They also alleged that the company had agreed to award a night-shift allowance, but had not done so.

Workers downed tools yesterday morning and, in talks with the union, Premier reportedly said it needed time to consider workers' demands and suggested that they return to work pending a management decision.

But, according to the union, workers refused to return "unless they are given something before they do so."
Mill strike enters third day

ALL 350 black workers at the Premier Paper Mill at Klipriver near Alberton stayed away from work for the second day yesterday.

A spokesman for the Paper, Wood and Allied Workers Union said they would not return to work until management was prepared to discuss their demands, including improved wages and the reinstatement of a colleague who was dismissed for allegedly sleeping on the job.

The mill is being run by a skeleton staff of white workers at present.

The PWAU spokesman said Premier Paper had given differential increases to 80 of the 350 workers, saying PWAU was aware of and had approved the increases.

"In March management decided to give certain categories of workers, mostly from the higher levels, increases of between 30 and 40c an hour and they told the workers PWAU had negotiated and accepted the increases.

"We rejected the increases when we heard about them from one of the company’s management in December."

"The workers feel the lowest paid workers should get more of an increase and the differential increases are in direct contradiction to this."

Another demand is for a night shift allowance, which management agreed to in principle in 1982.

No comment was available from management yesterday.

Premier Paper Mill’s management and union officials met yesterday afternoon to try to break the deadlock. — Sapa.
STRIKE GOES ON

THE 350 workers who are on strike at the Premier Paper Mill in Kliprivier, near Alberton, stayed away from work for the third day with management calling them to return while negotiations are underway.

A spokesman for Nampak, Mr V Frittelli, said management at the company was always willing to discuss and negotiate any grievance brought to its attention by personnel, providing that the personnel continue with their normal duties while discussion is underway. This has always been and remains the policy of the company.

The workers downed tools on Monday demanding improved wages and the reinstatement of a colleague who had been dismissed for sleeping on the job. The company is said to have given differential increases to 50 of the 350 workers, saying their union, Paper, Wood and Allied Workers' Union (Pwawu) had approved the increases.

A spokesman for Pwawu earlier said workers would not return to work until management was prepared to discuss their demands. At lunchtime yesterday, all the 300 workers had still not reported for duty. However, negotiations between management and the union representatives are continuing.
Expelled leader hits out

By BRUCE STEPHENSON
London Bureau
Paris — Mr Andreas Shipanga, the president of the breakaway South West Africa political party, Swapo-Democrats, who has been expelled from the United Nations conference on SWA, yesterday condemned the conference as "a meeting of the Swapo political bureau".

Two UN security guards escorted Mr Shipanga from the headquarters of the United Nations Educational and Scientific Council (Unesco) in Paris on Tuesday afternoon after some delegations from the 125 countries represented complained to the UN security council.

The conference spokesman, Mr Carol Mettnerich, said Mr Shipanga was expelled because he was wrongly registered as a delegate instead of a visitor. Swapa was forced to withdraw the invitation on the floor of the conference, which a visitor was not allowed to attend.

Mr Shipanga's expulsion, the leader of the Democratic Turnhalle Alliance, Mr Dirk M. Kupfer, said in Windhoek, "It is no surprise to us that Mr Shipanga should have known that Swapa would not tolerate v of the internal parties at the conference".

Attached to an article on Mr Shipanga's expulsion, the leader of the Democratic Turnhalle Alliance, Mr Dirk M. Kupfer, said in Windhoek, "It is no surprise to us that Mr Shipanga should have known that Swapa would not tolerate v of the internal parties at the conference.

Mill strike threatens to spread

By STEVEN FRIEDMAN
Labour Correspondent
The strike by about 300 workers at Premier Paper's Klipriver mill continued yesterday — and threatened, according to a spokesman for the Federation of SA Trade Unions' shop steward's council at Barlow Rand companies planned a meeting to consider action in support of Premier workers.

Fosato said yesterday it had suggested a mediator be called in to settle the dispute but Premier's management had rejected this.

And Nampak, Premier's parent company, said in a statement yesterday it was always willing to discuss worker grievances, including pay problems, but only after workers returned to work.

The company, part of the Barlow Rand group, was the first paper employer to agree to negotiate pay with Fosato's Parker, Wood and Allied Workers' Union outside an industrial council.

It said workers had gone on strike without using the dispute procedure in its recognition agreement with the PWWAU but added that it hoped it would continue to have an "increased relationship" with the union, despite the strike.

Workers downed tools on Monday after Premier awarded extra pay rises to some workers and not others. They are demanding rises for all workers.

The PWWAU says workers are also angered at the 13% rise granted them last year, saying it refused to accept the 13% during pay negotiations last year.

Yesterday the dispute remained deadlock, with Premier refusing to discuss worker demands until they returned to work and workers refusing to return until the company discussed their demands.

A union representative said yesterday the PWWAU had wanted a mediator called in, "Premier rejected the recognition agreement by unilaterally raising wages".

The union had rejected this because it said it did not want third parties called in.

Nampak said relations between Premier and the PWWAU had been 'trouble-free' before the company recognized the PWWAU in July, 1981, until this week's strike.

It said Premier had, in accordance with group policy to pay the rate for the job, carried out a 'systematic job evaluation and exercise' in 1981.

Since then, it had been working towards 'removing anomalies from the pay system' and this had led to 41 of its 350 workers receiving increases.

Live' rail lines set for 1985

Mail Reporter
WORK on the electrification of railway lines between Port Elizabeth and Johannesburg should be completed by June 1985.

South African Transport Services said the phase between Bloemfontein and Neopoland, linking up with De Aar, would cost R22-million.

White miners seem split on eve of key pay talks

Labour Correspondent
KEY pay negotiations on white miners in the mining industry resumed today with union members apparently split on whether to accept a Chamber of Mines offer of an 8% pay rise.

Unions have demanded a 10.1% increase, together with increases in fringe benefits which in two weeks ago would have increased union demands to nearly 21%.

The Chamber of Mines refused to make unions an offer until they "moderated" their demands, but, at a meeting two weeks ago offered mine union men an 8% rise on standard pay rates and an extra 3% for those employer contributions to the Mine Employees' Pension Fund.

Unions have been taking this offer back to their members and are due to give the Chamber their answer at a meeting today.

Unless the Chamber receives the outcome of the mining talks could have a key bearing on the current metal industry pay talks.

Yesterday the chairman of the Confederation of Associations, Mr J. Arrie Paulus, refused to say what white workers' reaction to the offer of 8% would be.

"I am not going to follow the route the Chamber has taken, which is to negotiate through the Press before we have reached agreement," he said.

But a union source said the reaction of unions and white workers to the Chamber offer had been "mixed".

Some union executives believed the offer should be accepted while others favoured holding out.

"It will only become clear tomorrow when the union congresses meet later today if they will take," the source said.

A mine unionist said yesterday a key issue persuading some unions to hold out for more was their demand for extra employment opportunities.

Observers believe it is likely that the mine negotiations will result in the same outcome. It is expected that in any case agreement will be reached by the end of the week.

White miners the Department of Minerals and Energy will be meeting with the unions this week.

It was reported yesterday that the unions were meeting to settle on the eve of a union strike ballot.
NAMPak yesterday released a statement outlining the company's standpoint in connection with the work stoppage at Premier Paper Mill in Klerivier as 350 workers failed to report for duty for the fourth day.

A spokesman for the company said by yesterday morning management and members of the Paper, Wood and Allied Workers' Union (Pwawu) had reached a deadlock on negotiations. The workers went on strike demanding improved wages.

The statement released by Mr V Frittelli, public relations officer for Nampak, said: "The company concluded a recognition agreement with Pwawu on July 31, 1981, and until the present stoppage, relationships between the parties have been trouble-free."

Mr Frittelli also said the company's management earnestly hoped that it would continue to have an effective relationship with the union in future.
Paper firm, union in clash

Own Correspondent

Johannesburg. — The strike at Premier Paper’s Kliprivier mill escalated yesterday when the company announced it had cancelled its recognition agreement with Fosatu’s Paper, Wood and Allied Workers’ Union.

Premier, a Barlow Rand company, was the first paper employer to agree to negotiate wages with PWAU outside an Industrial council. Its move follows a five-day strike sparked by the granting of pay rises to 48 of its 350 workers.

Union comment could not be obtained yesterday, but the move could spark off a major battle between Fosatu and Barlow Rand.

PWAU has already threatened industrial court action against the company and Fosatu’s Barlow Rand shop stewards council is to meet at the weekend to consider calls for action in support of Premier workers.

Premier also said it had extended a return-to-work deadline for strikers from yesterday to Monday morning. Workers who did not return would be fired.

PWAU claims Premier broke the agreement by granting rises “unilaterally” and says workers will not return until they are granted a rise. It claims the company is not affected by the recession and can afford to pay workers additional increases.

In a statement yesterday, Premier’s managing director, Mr Mike Walmsley, said it had “become impossible to continue the formal relationship (with PWAU) as the union has during this trying period shown utter disregard for the provisions of the agreement between it and the company”.

Mr Walmsley charged that the union had urged workers not to return to work, in spite of “repeated invitations by Kliprivier mill to negotiate a settlement”.

He said union members were still refusing to return in spite of “five days of fruitless attempts to negotiate the matter peacefully and sensibly”.

Strike at Premier takes new turn

By STEVEN FRIEDMAN
Labour Correspondent

The strike at Premier Paper’s Kliprivier mill escalated dramatically yesterday when the company announced it had cancelled its recognition agreement with the Paper, Wood and Allied Workers’ Union — an affiliate of the Federation of SA Trade Unions.

Premier, a Barlow Rand company, was the first paper employer to agree to negotiate wages with PWAWU outside an industrial council. Its move follows a five-day strike sparked by the granting of pay rises to 48 of its 350 workers.

It claims the union has shown “utter disregard” for the agreement.

Union comment could not be obtained yesterday, but the move could spark off a major battle between Fosatrand Barlow Rand.

PWAWU has already threatened industrial court action against the company and Fosatu’s Barlow Rand shop stewards’ council is to meet at the weekend to consider calls for action in support of Premier workers.

Premier also said it had extended a return-to-work deadline for strikers from yesterday to Monday morning. Workers who did not return then would be fired.

PWAWU claims Premier broke the agreement by granting rises “unilaterally” and says workers will not return until they are granted a rise. It claims the company is unaffected by the recession and can afford to pay workers additional increases.

Premier’s managing director, Mr Mike Wallisley, said in a statement yesterday it had “become impossible to continue the formal relationship (with PWAWU) as the union has, during this trying period, shown utter disregard for the provisions of the agreement between it and the company”.

He claimed the union had urged workers not to return to work despite “repeated invitations by the Kliprivier mill to negotiate a settlement”.

The mill was now negotiating directly with workers “and has granted them the opportunity to consider its offers carefully over the weekend”.

But workers who did not return on Monday would “regrettably” be fired.
THE CNA Investments-Gallo merger is a step into the future for the parent companies, Argus Printing & Publishing (CNA) and the Premier Group (Gallo).

"It's a logical merger," says Premier Group chairman Tony Bloom. The merged group has a strong base to move into the era of high technology in the field of video and communications.

CNA is a unique organisation in that it has around 200 outlets in all parts of South Africa.

Mr Bloom says that vast changes in the record and book markets are on the cards.

The merger also holds synergistic benefits. There is obvious scope for substantial rationalisation of operations.

Mr Bloom is not prepared to make facile predictions on potential turnover. "We will study each move and make sure that it makes good economic sense."

Terms of the merger, announced by Barlays National Merchant Bank and Standard Merchant Bank this week, are 100 CNA shares for every 265 Gallo shares.

CNA will become the new holding company. No decision has been reached on the title of the new company.

The effects the proposals would have on each company had the merger taken place last year are:

- CNA would have had a lower net asset value of 79c compared with an actual 100c, but earnings would have been higher at 29c (21c) and dividends 10c (75c) a share.

- Gallo's net asset value would have been much higher at 30c (20c), but earnings would have been lower at 8c (98c) and dividends 8c (50c) a share.
Mill strike ends after a week

Striking workers at the Premier Paper mill at Kliprivier returned to their jobs yesterday after a week-long stayaway over wage demands.

The 350 workers had initially been given until Friday to return, but the deadline was extended to yesterday morning.

A spokesman for the company confirmed their return and said there would be no victimisation and workers' service contracts would remain unbroken.

Negotiations on wages and other issues were expected to take place in the near future between worker representatives and the company.

On Friday Premier Paper announced that it had cancelled its recognition agreement with the Fosatu-affiliated Paper, Wood and Allied Workers Union.

The paper union had accused Premier of withholding wage increases in spite of profits and refusing to mediate in the dispute.

Premier is owned by the Nampak group which is in turn controlled by Barlow Rand.
Firm and workers agree to talk

Labour Reports
5 MAY 1960

The management of the Barlow Rand subsidiary Premier Paper will negotiate with a newly-elected workers' committee next week after the recent wage strike at the Kliprivier firm.

Elections for worker representatives are being held this week, a company spokesman said.

Last week's strike saw management cancel its recognition agreement with the Fosatu-affiliated Paper, Wood and Allied Workers' Union.

If former union shop stewards were elected, management would still negotiate with them.
Union officials can't be in on wage talks, say bosses

Labour Correspondent

Workers at Premier Paper, who returned to work on Monday after a week-long strike, want officials of the Paper, Wood and Allied Workers Union to take part in their pending wage talks with the company — despite the fact that Premier has cancelled its recognition agreement with the union.

But Premier said yesterday it would refuse the request as "the union's officials have no standing to be present at negotiations".

The company, the first paper employer to agree to bargain with the union outside the industrial council system, announced last week it was cancelling the agreement because, it alleged, the union had breached it.

This move came towards the end of a strike at its Kiltpivier mill which ended on Monday when workers returned after Premier agreed none of them would be fired and it would begin talks on a mid-year pay rise.

Mr Amos Mwuwe, chairman of the union shop stewards committee at Premier, said yesterday that "even if management has cancelled the agreement, it does not mean it has got the union out of the factory".
Premier dispute takes new turn

By STEVEN FRIEDMAN
Labour Correspondent

THE Paper, Wood and Allied Workers' Union said yesterday it was taking the Barlow Rand company Premier Paper to the Industrial Court, after a new dispute erupted yesterday about worker representation at Premier.

Workers at Premier's Kliprivier mill returned to work on Monday after a strike which saw the company cancel its recognition agreement with the PWAWSU. They returned after Premier agreed to hold talks with them over a mid-year pay rise.

The union says workers are now insisting that this be negotiated with union shop stewards, but the company said earlier this week it was holding elections for worker representatives to take part in the negotiations.

If the shop stewards were elected, it would negotiate with them, it said, but would not regard them as union stewards.

Premier said in a statement yesterday that these elections were "still in progress" and were due to be completed today.

It said many departments had already held elections and had "returned former shop stewards unopposed".

It said one department, "not seeing any necessity for holding an election, decided to retain their former shop steward elected before the agreement with the PWAWSU was cancelled".

But the union said yesterday the stewards were "furious" about this statement.

It said workers in all departments had refused to take part in any new elections because they insisted on being represented by union stewards only.

"According to the shop stewards, no voting took place nor was there any proposing or seconding of names", the union said, adding that stewards were "amazed" to hear they had been elected unopposed.

The PWAWSU also claimed workers were not prepared to have the stewards attend a meeting with management "in any capacity except as shop stewards".

It said it was the majority union at Premier and had warned the company previously that it would consider an "unfair labour practice" action against it in the Industrial Court if it refused to negotiate with the PWAWSU.

"We believe management's ridiculous attempt to turn the shop stewards into some sort of works council entrenches this unfair labour practice", the union said.

It said workers had refused during the strike to return until the dispute was settled "precisely because they feared this kind of trick from management".
A FSETU union and a Barlow Halsey company are once again at loggerheads.

This time the battleground is Barlow subsidiary Premier Paper, which cancelled its recognition agreement with the Paper, Wood and Allied Workers Union after a week-long strike.

Although workers have returned, the battle continues, with Premier insisting it will only negotiate with "worker representatives" and workers insisting they will only bargain through the union.

The union now plans to take the matter to the industrial court.

At the same time, two other disputes between Barlow companies and a Fsetu union are bubbling and a battle between the two sides could be looming.

Meanwhile, Fsetu's National Automobile and Allied Workers Union has concluded a wage deal with motor firm Sigma, which seems to contrast with most other current wage negotiations.

The settlement raises pay by 15% for the lowest grades and will push up Sigma's wage bill by about 13%. It is also the first wage deal between the two to be settled without a dispute.

Naswu says Sigma's willingness to pay this when it has announced heavy losses is "in marked contrast" with the attitude of most other employers.
Court threat in union row

A paper union has threatened a Barlow Rand subsidiary with legal action as a result of in-plant elections at the Kliprivier firm.

A statement issued at the weekend by the management of Premier Paper said that in-plant elections were being held and that workers in some sections had returned former union shop stewards.

However, the Paper, Wood and Allied Workers' Union has said that workers have denied participating in any in-plant elections and still demand union representation at Premier Paper.

The union was considering taking the firm to the Industrial Court as Premier's unwillingness to deal with a representative trade union constituted an unfair labour practice, a union spokesman said.

Talks between worker representatives and Premier management were expected to take place within the next few days, according to the firm.

Premier Paper cancelled its recognition agreement with the union after a week-long strike by about 350 workers over wage demands last month.
A NEW row is brewing between the Fosatu affiliated Metal and Allied Workers’ Union (Mawu) and another Barlow Rand company over wage demands and non-enforcement of the company’s Code of Conduct.

This time the battleground has shifted from the Barlow subsidiary Premier Paper Mill to Barlow Kew where the dispute was sparked off last week by selective wage increases. The factory is on a four day week because of the economic slump.

According to a spokesman for the Barlow Rand Shop Stewards Council, workers were now demanding to know why the slump affects some workers only. At a special meeting for shop stewards at the weekend workers are reported to have complained that since the four day week system was introduced, management had speeded up production so that the same number of stores and machines were now made in four days as used to be made during a five day week.

The workers are also unhappy that only some workers work a four-day week and that the white, coloured and Indian employees are not affected by the short time. The situation at the factory was described as “extremely tense”. At one stage two welders stopped working for two hours.

MEETING

On Monday last week a special meeting was held with the local management and the managing director where it is alleged management walked out.

Plans to strike following the failure of last week’s meeting with the management were abandoned on Tuesday and workers plan to approach management again this week.

Mawu has been recognised at Barlow Rand for more than a year now, but there is still no signed recognition agreement. This was because, according to the spokesman, negotiations for a preliminary agreement deadlock after seven months when management insisted that the union could not discuss wages with the management.

The Barlow Rand Shop Stewards Council is complaining that not all Barlow’s companies act like Barlow Kew and Premier Paper Mills and the head office was not enforcing the Code of Conduct on its subsidiary companies.
TODAY should provide important pointers on two disputes between Barlow Rand companies and Fosatu unions.

At Premier Paper -- where the Paper, Wood and Allied Union's recognition agreement was cancelled during a recent strike -- talks are continuing and an announcement could be made today.

The signs are that relative peace between company and union may be restored.

And at Barlow's Manufacturing in Kew, Metal and Allied Workers Union shop stewards will meet management today about wage demands. Unionists say tensions are still running high at the plant.

Relations between Barlow Rand and Fosatu are worth watching ... Barlow is the group in which Fosatu have developed an active and functioning shop stewards council.

This body brings together worker leaders in Barlow companies across industry lines, and has played a key role in advising workers in both disputes.

There are obviously several other conglomerates where unions could decide to apply the same strategy if the Barlow's council becomes a significant force.
Strike over pensions

Mail Correspondent

DURBAN. — Hundreds of black workers at Nampak Products Ltd, in Maboneng, yesterday downed tools and demanded a refund of their pension contributions.

A spokesman for the workers said yesterday that they were also demanding the right of their union to be recognised at the factory.

He said they had been contributing towards their pension fund since 1978 and while most other factories had paid out the money to its workers, the Nampak workers still had not received their money.

"We will continue our protest until such time that management meets our demands," he added.

Mr H Campbell, the company's industrial relations manager, yesterday confirmed that the workers had stopped work. He said they refused to speak to management and insisted that management contact the representative of the South African Allied Workers' Union.

"This union is not yet recognised but management nonetheless attempted to make contact. Management were told that the official was not available.

"It now appears that the workers want a refund of their pension contribution. This is still being considered," he added.
Mediators have been called in, but the dispute continues.

About 350 workers are involved in the dispute, as are workers at the Paper Mill and the Foremen's Union. The management of the mill has offered an increase of 40 cents an hour, but the workers are demanding an increase of 50 cents an hour. Both sides have refused to return to their jobs on the promise of wage talks.

Workers later agreed to return to their jobs, but demands were reconsidered to a 50-cent increase. The dispute is ongoing.

Mr. R. Combe, the company's industrial relations manager, yesterday expressed concern that the management had ignored the recommendations of the Sale Representative of the Workers' Union. He said they had been contributing towards their pension contributions but were not sure when they would be held.

"A spokesman for the workers told the management yesterday that they were demanding a refund of their contributions. They have been contributing to the pension fund for over a year and were not sure when they would be held.

Mr. Isaac Ngobane, the union's treasurer, said the management had ignored the recommendations of the Sale Representative of the Workers' Union.
Labour Correspondent

MANAGEMENT and workers at Premier Paper's Kliprivier mill are to use an unusual form of mediation in an attempt to settle a wage dispute.

The dispute led to a week-long strike at the mill last month after which the company cancelled its recognition agreement with the Paper, Wood and Allied Workers Union.

Since then, however, the company has been negotiating with the union's shop stewards. Worker leaders at the mill say they still regard the union as the workers' bargaining representative there.

During the strike, Premier rejected union appeals that a mediator be called in.

But yesterday the company issued a joint management-worker statement saying that both parties had now agreed "to enter into a process of dual mediation".

It said the dispute remained deadlocked.

It is understood that Premier has again rejected worker demands for one mediator to be appointed.

Instead, two mediators have been appointed — one to represent management, the other to represent workers.

This form of mediation is believed to be unprecedented.

According to the statement, workers are continuing to demand a 40c an hour increase with effect from July.

The strike was sparked by a management decision to give selected workers raises of between 30c and 40c an hour to bring them into line with a company wage grading system. Workers are demanding that this be extended to all of them.
mam's hopes eprieve

A stoked and worried Mr Tofe Mogoene, Thelle's younger brother, told THE SOWTAMAN yesterday the青山/as was feeling bad about Mr Viljoen's refusal to grant his brother a party.

APPEALS

The family still had pines for a last minute sprise following appeals from abroad.

As is with the other gouran and her two family will demand that they be given the body of Thelle for burial.

Mrs Christiana Mogoene and her two sons, Thokiso and Thabang and other family relatives, left early yesterday morning for Pretoria to pay Thelle the last visit in the Death Row, before he is hanged.

FIRED: Mr Mcebisi Mqhayi worked for company for 20 years.

Workers in court for murder

The 771 Frieda Street, Jeppestown, home of Mr H van Buuren and his mother was also dead. He was not working for him at the time of the crime. The accused had left his own accord after stealing two gallons of petrol from his premises, he said.

His son, Mr J H van Buuren, who is also a policeman, testified that when receiving information he had rushed to his parent's house at about 4 pm on August 23. All the doors of the house were locked. Together with his father they entered the bedroom where they found his mother in a sitting position near the bed with both hands and ankles bound with a pair of socks.

Her head was also covered with a bedspread and a belt was tightly fastened around her face making it impossible for her to breathe. She was already dead.

Doctor D J Loubser, chief state pathological, testified that he conducted a post-mortem on Mrs van Buuren and said she died from suffocation. The hearing continues.

Mr Mqhayi allegedly closed the shop and went to the administrative offices at the local township in spite of Mr Balfour having turned down his requests to go there. Three days later Mr Mqhayi was arrested after being questioned by the factory's tribunal.

Denying the allegation, Mr Mqhayi, through his lawyer, said he had gone to the office with the belief that his employer had given him permission, although grudgingly. If Mr Balfour had refused him permission he either did not hear because of the noise in the factory or had not understood Mr Balfour's heavy Scottish accent.

Mr Mqhayi's lawyer said in firing the supervisor who had "been with the company for about 20 years" Mr Balfour had made life "difficult and intolerable" for his client.

In reply to the accusation the company's defence said Mr Mqhayi had been aware that permission had not been granted but had closed the shop and had gone away.

The hearing has been postponed to Friday.
Management to talk

The management of a Mobeni paper products factory is to hold further talks with its black workers today as the work stoppage at the factory entered its second day yesterday.

Hundreds of workers at Nampak Products Ltd downed tools on Monday morning in support of their demands for a refund of their pension contributions and the recognition of their union by management.

Mr Roderick Campbell, the company's industrial relations manager, said yesterday that at a meeting with the worker representatives and Mr Sam Kikane, general secretary of the South African Allied Workers' Union, it was agreed that he meet the representatives today.
Firm to talk on stoppage

Mail Correspondent DURBAN.—The management of a Mabeni paper products factory is to hold further talks today with its black workers who downed tools on Monday.

Hundreds of workers at Nampak Products Ltd. stopped work on Monday morning in support of their demands for a refund of their pension contributions and the right of their union, the South African Allied Workers' Union, to be recognised by management.

"Mr. Roderick Campbell, the company's industrial relations manager, said yesterday: "I hope to get the full details of the workers complaints about the pension fund. I will then go back to the trustees and a further meeting on the issue will be held next week."

He said the representatives of the workers left a meeting on Monday with the hope of persuading the workers to return to work today. "If they do not," Gurn said, "we will have to consider what happens." He added, "We've been tolerant all this time," he added.
Closed shop clause suffers a setback

By STEVEN FRIEDMAN
Labour Correspondent

THE controversial "closed shop" clause — which forces workers to belong to a union — has suffered a setback in the printing and newspaper industry.

Black workers at three Industria plants owned by the giant Nampak group have been allowed by the industry's industrial council to resign from the SA Typographical Union, which they were forced to join in terms of a "closed shop" agreement negotiated at the council.

This was announced yesterday by the Paper, Wood and Allied Workers Union (PWAUU), which says workers have opted to join it, and confirmed by Nampak.

The workers are allowed to resign because the council has granted Nampak's request that they be exempted from the agreement's "closed shop" clause.

According to Nampak, this is only the second time the council has granted an exemption from the "closed shop" for black workers.

A letter to Nampak by the council says workers who have resigned from the SATU at the plant will be permitted to do so. It adds, however, that new workers will still have to join SATU in terms of the "closed shop" clause.

It says the case must be seen as a formal exemption from the "closed shop".

Most industrial council agreements have "closed shop" clauses forcing workers to belong to a union on the council. In the past few years, established unions like SATU have had this agreement extended to cover black workers, which means these workers must belong to the union whether they wish to or not.

Exemptions from the "closed shop" are rarely granted.

A statement by PWAUU yesterday hailed the exceptions and said they applied to three Nampak plants — Conical, Sacks, and Core and Tube. It said the workers "prefer to belong to PWAUU rather than SATU."

PWAUU said workers alleged they had only had one meeting with SATU — when they joined it. "Since then we have never had a single meeting until then called them to tell them we wanted to resign", they added.

The union said workers had also charged that SATU "forced itself on them", had "done nothing for them", and that "encountered rudeness and unhelpfulness when they visited SATU's offices".

It said workers had begun joining PWAUU late last year. When the union achieved majority support at the plant and shop stewards were elected, they approached management and immediately raised their opposition to SATU.

According to PWAUU, Nampak said it was bound by the "closed shop" agreement and could do nothing about this issue. But workers had continued to raise the issue and had signed a petition resigning from SATU.

The exemption had been granted on May 17 "provided the council was certain workers were opposed to SATU". Workers had now all formally resigned and expected their automatic union deductions to SATU to cease, the union said.

Nampak's spokesman confirmed that an exemption had been granted.

"Whenever a majority of employees in a company in the Nampak group indicate their desire to resign from their existing union, Nampak, as a responsible employer, would naturally make application for the employees to be exempted from the closed shop clause in the industrial agreement", he added.

During the past 18 months, Nampak had twice been granted an exemption — once in October 1981 and once at the three Industria plants, he added.

Repeated attempts to obtain SATU comment failed yesterday.
A small, but significant, achievement in the closed shop was
achieved last week.

Paper giant Nampak has successfully applied to the printing
industrial council to have black workers at three of its plants
who do not want to belong to Tucsa's SA Typographical Union exempted from the
closed shop.

The workers concerned have already joined an emerging union.

But, although this move could act as something of a precedent, it hardly spells
the end of the closed shop.

The printing exemption was only granted on condition new black workers at the
plants be forced to join SATU.

Many councils still oppose any requests for exemption from the closed shop. And
the Government still backs the practice.

While many established unions still cling to the closed shop as their only means of
gaining black members, most employers say they are against it.

But employer opposition always seems to ignore one crucial factor -- that there
would be no closed shops if employer associations did not negotiate them with unions
on councils.

If employers are against minority unions forcing workers to join them, they can sim-
ply refuse to negotiate further closed shops.
Nampak workforce resigns from union

IN WHAT may be a significant step, almost the entire workforce of Nampak in Industria resigned last week from the South African Typographical Union (Satu) because the union "had done nothing for them".

The more than 400 workers will now join the Paper, Wood and Allied Workers' Union (Pwawu), an affiliate of the Federation of South African Trade Unions (Fosatu). Labour experts have described the move as a setback to the controversial "close shop" clause which forces workers to belong to a union.

The black workers were allowed to resign by the Printing and Newspaper Industrial Council. The workers were forced to join Satu in terms of a "closed shop" agreement negotiated at the council. The workers were allowed to resign because the council has granted Nampak's request that they be exempted from the agreement's "closed shop" clause. Exemptions from the "closed shop" are rarely granted.

Interviewed workers claimed that Satu "forced itself on them" and "had done nothing for them". They said Satu was imposed on them "by the bosses" and that they only had one meeting with Satu after they joined the union.

Satu is essentially a white union which set up parallel structures for blacks in recent years. A spokesman for Pwawu said that Satu still maintained separate branches for whites, coloureds, Indians and Africans. By contrast Pwawu is a non-racial union open to all workers.

- Members of an organisation calling itself the Passengers and Buyers Movement of South Africa (Pabumsa) this week picketed Khotso House in protest against The Star newspaper's dismissal of 209 workers two months ago.

Carrying placards with threats of action by The Star's black readership, the protesters called on the newspaper's management to unconditionally reinstate all the workers fired after a strike two months ago.
Kohler buys Xactics

By STEVE ELLIS

JOHANNESBURG. — Restructuring of the packaging sector continues with the announce-
ment yesterday that Kohler — with a little help from holding company Gencor — is to buy
Xactics for about R35m.

The move comes within days of Nampak’s merger with the
packaging interests of Metal Box SA and effectively elimi-
nates any material competition to the subsidiaries of Barlow
Rand and Gencor.

To facilitate the takeover, Gencor is buying the 50 percent
it does not already own in Xactics 67 percent parent company,
Cortics, for about R12m. It will then sell all of Cortics to Koh-
ler.

Gencor paid the equivalent of
175c a Xactics share for the Cor-
tics stake, and will sell it to
Kohler for the same amount.

It has not yet been decided
how much Kohler will pay Genc-
or for the 50 percent of Cortics
it previously held but spokes-
men for the companies say it
will not be higher than 175c.

The cost of the Cortics pur-
chase could amount to as much
as R24m.

A 175c a share cash offer, will
be made to Xactics minority
shareholders which, if accepted
in full, will add another
R1 500 000 to the bill.

A spokesman for Barclays
Merchant Bank, which helped to
put the deal together, said that
Kohler hoped to end up with 100
percent of Xactics — in which
case, Xactics would disappear
from the Johannesburg Stock
Exchange lists.

Sharply lower operating mar-
gins, higher interest charges
and a South American fiddle
combined to cut attributable
profits by 54.3 percent from
R2 982 000 to R1 657 000, forcing
the directors to pass final divi-
dend.

The total dividend payment for
the year therefore remains
at the 3c paid at the halfway
mark, compared with 8c the previ-
ous year.

Lifo earnings fell from 15.7c to
7.2c.

Not included in the result is
an extraordinary loss of
R611 000.

Group turnover rose 29.2
percent from R38 839 000 to
R50 173 000 but difficult trading
conditions nearly halved oper-
ating margins from 16.7 percent
to 8.6 percent, leaving operating
profits 32.3 percent lower at
R4 237 000 (1981-82: R6 504 000).

The directors say that a “sub-
stantial increase in borrowings”
which resulted from the group’s
increased capital expenditure
programme caused financing
charges to soar from R254 000 to
R1 246 000.

Interest cover dropped from
25.6 times to a marginal 3.2
times.

The directors say the company
might recover some of the
losses and find a way to rebuild
the market in South America
but the investment of more than
R1m has been written-off in full
against the past year’s profits.

Xactics results were given a
little push by a lenient taxman
whose rate fell from 39.4
percent to 26.1 percent, but it was
not enough to prevent a 41.7
percent slide in taxed profits
from R3 787 000 to R2 269 000.

Depreciation over-provided in
previous years boosted profits
by R200 000 which was wiped off
by a R792 000 (R803 000) 11.6-
stock adjustment.

Looking ahead, the directors
say that although much im-
proved results have been posted
in the first quarter of this year,
“pre-tax income for the 1983-84
year is not expected to be sub-
stantially different from that
recorded in the year under re-
view”.  

Kohler pays
R35m for Xactics

By STEVE ELLIS

RESTRICTING of the packaging sector continues with the announcement today that Kohler — with a little help from holding company Gencor — is to buy Xactics for about R35-million.

The move comes within days of Nanpak's merger with the packaging interests of Metal Box SA and effectively eliminates competition to the subsidiaries of Barlow Rand and Gencor.

Gencor is buying the 50% it does not already own in Xactics 67% parent company, Cortice, for about R18-million. It will then sell all of Cortice to Kohler.

Gencor paid the equivalent of 17½c a Xactics share for the Cortice stake, and will sell it to Kohler for the same amount.

It has not been decided how much Kohler will pay Gencor for the 50% of Cortice it previously held, but spokesmen say it will not be higher than 17½c.

The cost of the Cortice purchase could amount to R24-million.

A 17½c a share cash offer will be made to Xactics minority shareholders which, if accepted in full, will add R1 600 000 to the bill.

A spokesman for Barclays Merchant Bank, which helped to put the deal together, said that Kohler hoped to end up with 100% of Xactics — in which case, Xactics would disappear from the Johannesburg Stock Exchange.

If the results of Xactics performance in the year to February — also released yesterday — are anything to go by, shareholders would be advised to ignore the 17½c offer.

Sharply lower operating margins, higher interest charges and a South American fiddle combined to cut distributable profits by 24.2% from R2 982 000 to R1 637 000, forcing the directors to pass the final dividend. Total payment for the year is the 3c interim. The previous total was 8c.

Life earnings fell from 15.7c to 7.2c.

Not included in the result is an extraordinary loss of R61 000.

Group turnover rose 29.2% from R38 839 000 to R50 173 000, but difficult trading conditions nearly halved operating margins from 16.7% to 8.6%, leaving operating profits 33.3% lower at R4 537 000 (1983-84: R6 504 000).

The directors say a "substantial increase in borrowings" which resulted from the group's capital expenditure programme caused financing charges to soar from R264 000 to R1 346 000.

Interest cover dropped from 25.6 times to 3.2 times.

The South American fiddle involved the "apparent misappropriation (theft) of a substantial proportion of the funds remitted for working capital purposes", which also led to a collapse of the marketing and selling organisation.

The company might recover some of the losses and find a way to rebuild the market in South America. But the investment of more than R1-million has been written-off against the past year's profits.

"The establishment of the nature and amount of these losses contributed substantially to the delay in finalising results for the year."

The tax rate fell from 39.6% to 26.1%, but it was not enough to prevent a 41.7% slide in taxed profits from R3 787 000 to R2 259 000.

Depreciation overprovided for in previous years boosted profits by R200 000, which was wiped out by a R72 000 (R80 000) life stock adjustment.

The directors say that although improved results have been posted in the first quarter of this year, "pro-tax income for the 1984-85 year is not expected to be substantially different from that recorded in the year under review".
Nampak in deal with union

A paper union signed recognition agreements with three Nampak firms in Industria this week. The three companies originally had a closed-shop agreement with the SA Typographical Union. But workers won an exemption from the closed-shop agreement after the Paper, Wood and Allied Workers' Union proved it was representative of the three workforces.

The agreements cover negotiations for wages and working conditions, and the right of union shop stewards to take up worker grievances. They also provide for regular meetings between the union and management, and union access to company premises.
Union to fight on dismissals

Labour Reporter

A paper union this week claimed a Boksburg subsidiary of the Kohler packaging group was guilty of an unfair labour practice after seven of its members were recently retrenched.

The Paper, Wood and Allied Workers' Union, a Fosatu affiliate, said the company had laid off the workers without consulting the union and they were likely to take the matter up at the Industrial Court.

Kohler was willing to pay the men until the dispute was resolved.
Mediated settlement ends long dispute

Johan Piron and Mr Paul Pretorius, were called in after the strike according to a statement from the Fosatsu-affiliated union. The case of a worker who the union said had been dismissed without the company going through the proper procedures.

The mediators provided for a 10c increase for all workers and a back-dated "bonus" of 10c for all hours worked between January and July. They also reinstated the union's stop orders, which had been suspended during the strike, and re-opened the case of a worker who the union said had been dismissed without the company going through the proper procedures.
Dispute settled

THE long-standing labour dispute between a Fosatu-affiliate, the Paper, Wood and Allied Workers' Union and the Premier Paper in Kilpatrik has been solved after a mediated settlement was reached by the two parties at the weekend.

In a statement the union says it was "hopeful that management's attitude will change when negotiations on a new agreement starts soon."
Sappi dips, hits at low protection

By STEVE ELLIS

IMPROVED returns from Carlton Paper and Sappi Novobord allowed Genecon-controlled Sappi to restrict its decline in earnings to 4.3% in the half-year to June.

Bottom-line profits fell from R28 532 000 to R27 728 000 and earnings a share dipped from 957c to 937c.

The interim dividend has been maintained at 25c, half-way cover slipping from 5.8 times to 3.9. The distributions will cost R7 725 750 compared with R7 720 750 last year.

The directors say the result was helped by improved performances by 38.2%-controlled Carlton Paper and wholly owned Novobord.

However, profitability was adversely affected by "slack demand for packaging papers, and by cost increases in excess of the rate of inflation in terms of freight, electric power".

The packaging-paper market was hit by imports of kraft linerboard, particularly in the Western Cape.

Sappi management is far from happy about tariff protection for linerboard which provides for increased duties when the FOB price drops below R20 a metric ton.

"This means the industry only receives effective tariff protection when the FOB price of imported products drops more than 8% below the lowest ruling price anywhere in the world."

Group turnover in the past six months rose 15% from R531-million to R566-million, but operating margins were reduced from 13.0% to 12.9%, limiting the advance in operating income to 1.8% — up from R36 342 000 to R38 915 000.

Group turnover in the past six months rose 15% from R531-million to R566-million, but operating margins were reduced from 13.0% to 12.9%, limiting the advance in operating income to 1.8% — up from R36 342 000 to R38 915 000.

Of the 16% higher interest bill of R7 675 000 (1982: R6 652 000), R3 408 000 (R3 710 000) was incurred in raising the R800-million Ngodwana expansion project and was therefore capitalised.

Another R10 014 000 of Ngodwana's financing costs — through preference dividends paid by Sappi and an undisclosed subsidiary — have also been capitalised.

Investment income dipped from R135 000 to R50 000, leaving pre-tax profits 3.9% higher at R34 817 000 (R32 749 000).

Sappi's traditionally low tax rate rose slightly from 4.7% last year to 7.5% — R2 627 000 against R1 096 000 in 1982.

The growth in taxed profit was reduced to a nominal 0.1%, up from R33 152 000 to R33 192 000. From that, minorities took R4 018 000 (R3 230 000) and preference shareholders R6 680 000 (nil).

The preference dividend pertains to those shares allocated in last year's rights issue — an issue made to raise more finance for Ngodwana.

Of the project, the directors say that satisfactory progress is being made on the plant and indications are that it will be finished within the budgeted cost.

"To date, R433-million has been committed on equipment and construction, and R453-million, has been expended. During the past six months, buildings and equipment worth R184-million have been commissioned and assets worth R228-million have now been brought into use on the project."

The Ngodwana expansion has lifted Sappi's long-term borrowings from R182 651 000 to R195 657 000 — short-term debt is not disclosed — but the directors say borrowings are within the group's 100% self-imposed limit.

Total funds employed have surpassed R1 606-million and stood at R1 615-million.

The directors say the drought will have a major impact on a depressed economy. However, its effect on Sappi is difficult to quantify.

"International trading conditions, particularly in the pulp and paper industry, show signs of recovery and ... there have been significant upward movements in the prices of linerboard and fine papers in the US."

However, it is unlikely there is sufficient impetus to improve trading conditions in SA in the second six months.

Another sobering point is the prospect of poor trading in the newsprint market. "With this background, it is difficult to forecast earnings for the year with any confidence, but, subject to no significant worsening of the economy, the earnings for the full year are not expected to be less than those attained in 1982."

191783
Workers drop legal action

Mail Reporter

THE Paper, Wood and Allied Worker's Union (PWAWU) this week withdrew a legal action over retrenchments at a Brakpan factory after the company agreed to reinstate the workers and negotiate the issue.

PWAWU began legal action after management at Kohler Corrugated, Brakpan, retrenched seven workers, including the chairman of the shop stewards' committee. PWAWU said it had been surprised at the decision to retrench staff because the company was working substantial overtime, was employing casual labourers and was opening a new department.

PWAWU, which is affiliated to the Federation of SA Trade Unions (Fostatu), also accused the company of avoiding negotiations because they preferred to deal with the SA Typographical Union (SATU).

But this week, PWAWU withdrew the legal action after management offered to reinstate the workers for six weeks while retrenchments were negotiated.

Next week the workers will also vote for a second time in a ballot to show whether they support PWAWU or SATU. At the first ballot, 94% of the workers supported PWAWU.
Firm fires 50 after they chose to stay in union

By ANTON HARBER

The workers, members of the Posta-affiliated Paper, Wood and Allied Workers' Union, said all but about two of the workforce of more than 60 people had chosen to remain members of the union and had been instantly dismissed.

The workers, members of the Paper, Wood and Allied Workers' Union, said all but about two of the workforce of more than 60 people had chosen to remain members of the union and had been instantly dismissed.

And at a meeting in central Johannesburg yesterday, they decided to take legal action against Supreme Mouldings of Robertsville, Johannesburg, if they were not reinstated within 24 hours.

The workers told the Press they were summoned to a meeting on Monday morning shortly after shop stewards had presented a letter to management introducing the union and asking for talks.

At the meeting at the factory, management had arrived with seven policemen and police dogs and had told the staff to choose between "working for the union or working for the company".

The workers said all but two of the staff of about 59 had said they wanted to belong to the union. They were ordered by the police to leave the premises.

A union official said they would contact the Divisional Inspector of Manpower to lodge a complaint of victimisation and would lay a formal complaint about the involvement of the police.

If the matter was not resolved within 24 hours, they would take legal action on the grounds that the dismissals were unfair labour practice, the official said.

A spokesman for Supreme Mouldings declined to comment.
ABOUT 50 workers at Supreme Mouldings in Robertsville, yesterday claimed that the company's management called police and dogs, before ordering them out of the premises because they had joined a union management did not like.

They also claimed that before they were ordered out, they were asked whether they wished to work for the union or the company. All the workers have joined the Fosatu affiliated Paper, Wood and Allied Workers' Union (Pwawu). A rival union was said to have addressed the workers some time last week in a bid to woo them over to their side. Pwawu already claims a majority of the workers at the company, and had already written to the company requesting a meeting to finalise their recognition by the company.

Ms Jemina Putshani, one of the four workers elected as shop stewards, said: "I was called to the manager's office on Thursday last week and told that management was aware of my movements. Management was also aware that we had joined a union and wanted to know why we needed a union. I was then told I was suspended and should not come back to work.

"On Friday I went to work, ignoring the suspension but was reminded by the manager. When I was about to go all the workers already knew about the action against me and decided to down tools. The issue was discussed and workers said I should apologise for being rude. We went back to work and three hours later organisers of another union came to recruit and were turned back because we had already joined Pwawu.

"On Monday management questioned us on a letter from our union requesting a meeting to discuss their recognition. A meeting was arranged for lunchtime but instead of a meeting taking place, police with two dogs arrived in three cars and a van. We were then told to disperse."

Meanwhile Pwawu officials have threatened to take legal action against the company.

The company's manager, Mr Gilbert Emric, could not be reached for comment yesterday. A secretary at his office told The SOWETAN that he was "busy" and would phone back.
THE Paper, Wood and Allied Workers Union (Pwawu) has for the second time in a month received overwhelming support from about 400 workers at a Brakpan firm against the management-favoured South African Typographical Union (Satu).

In a ballot vote held at Kohler Corrugated yesterday, Pwawu received a 94 percent vote from workers who also indicated their desire to resign from Satu, to which they are bound by a close shop agreement.

According to a statement released by Pwawu yesterday, the first ballot vote organised by management was held on June 27 this year, when the two unions contested for membership of workers at the firm.

The results showed a 94 percent support for Pwawu by members who belong to Satu. But the results were challenged by management who charged that some work-

**By SAM MABE**

...ers had been intimidated into voting in favour of Pwawu. Satu also charged that it did not know about the holding of the ballot elections.

When voting was cast for the second time yesterday, Pwawu once again secured the support of 94 percent of the workforce.

A spokesman for Pwawu said: "We are pleased to have now proved beyond doubt that the majority of Kohler workers want to be represented by Pwawu. We hope to begin negotiations with management on the issue of seven workers who were retrenched last month."

"We look forward to a long and constructive relationship with Kohler. Unfortunately, the workers are still compelled to belong to Satu by the closed shop agreement between management and Satu.

"We call on Satu to concede defeat and allow workers who wish to resign to do so. We also look forward to Kohler Corrugated receiving a complete and unconditional exemption from Satu's close shop agreement in the near future."
Kohler issue is victory for unions

By PHIL MTIMKULU

In the wake of a decision by Kohler Corrugated employees to reject a union imposed on them by management, trade unionists have called for the abolishment of the closed shop agreement in favour of freedom of association.

In a secret ballot on Monday, an overwhelming majority of workers at the plant voted to be represented by the Paper, Wood and Allied Workers Union (Pwawu) instead of the South African Typographical Union (Satu). Pwawu received 94 percent of the votes.

And now, unionists maintain that the workers' decision bodes ill for all close shop agreements.

Mr F Mohlala, secretary of the Building Construction and Allied Workers Union, said his union was against closed shop agreement. "We will be the first to rejoice if the close shop agreement is abolished. We believe that members should join a union of their choice after being given options," he said.

Mrs Emma Mshini of the Commercial Catering and Allied Workers Union (Ccawusa) said they were fortunate that in the commercial and distributive trade there were no closed shop agreements. "We discourage the practice, we believe in freedom of association. A person must be free to join a union of his choice," she said.

Mr Sydney Mfamathini, the general-secretary of the General and Allied Workers Union (Gawu) said they experienced a similar problem to the one at Kohler, but they did not have to put the matter to a vote. "We simply wrote to the company concerned and informed them that their employees wanted to be represented by us, and they agreed."

"A close shop agreement makes it easy for unions to get membership. They hardly inform employees about the union, and in most cases the employees are ignorant of what the union is supposed to do for them. They do not have a sense of belonging," said Mr Mfamathini.
The Paper, Wood and Allied Workers Union says it will launch a key industrial court action against a Durban subsidiary of Anglo American if it does not agree to negotiate with the union by tomorrow.

If the action takes place, it will test again the court's attitude to union bargaining rights in individual companies. The court has handed down two key decisions this year.

It is understood the PWAWU would base its case in part on the court's recent decision in the Foden's case, where it ordered an employer to negotiate with a representative union.

A PWAWU representative said the union had told Mondi Paper it would launch the action if no new meeting between them was held by tomorrow.

It alleges that Mondi refused to negotiate with it at its mill in Merewether, Durban, where the union claims to have signed up about 360 of the 1,400 workers. The majority of workers at the plant are Asian, it says.

Mondi's managing director, Mr Roy Dodson, could not be contacted for comment yesterday.

Mondi and the union were recently involved in a recognition dispute at the company's mill in Felixton, Natal. Since the dispute, the two sides have been negotiating on recognition.

But PWAWU says an agreement has been held up by Mondi's insistence that minority unions also be given bargaining rights and that some issues be negotiated at an industrial council.

The union rejects both points.

The union says it recently approached Mondi for recognition at the Merewether mill and was granted stop order facilities.

"But management says there will be no recognition agreement until the Felixton agreement is signed."

"In the interim, they are refusing to recognize our shop stewards or to negotiate with us on worker grievances. We believe this is part of an attempt to force us to join the council. Unless the Felixton agreement is signed — which means we must agree to negotiate at the council — they will not bargain with us at Merewether."
Kohler lay-off
‘will not affect
Natal workers’

A MOVE by the Transvaal-based Kohler Packaging Group to reduce its workforce in the Transvaal from 2,150 to 2,098 by dismissing 62 workers at the Isando plant would not affect the group’s workers in Natal, a spokesman said yesterday.

All the dismissed workers would receive compensation based on length of service in addition to notice pay, leave pay, pro-rata holiday bonus and payout of their pension fund contributions.

Some of the workers who were declared redundant may be offered alternative employment, but others would be given priority when any of the group’s operations in the area sought additional staff.

The spokesman said the lay-offs stemmed from a decision to close the coating section of the Isando plant which made adhesive tapes.

‘In future Kohler will import coated material in bulk and limit its manufacturing operation to printing and packaging of the final product,’ he said.
THE closed shop in the printing and packaging industry suffered a new blow last week when workers at a Brakpan plant voted overwhelmingly against belonging to Tucsa’s SA Typographical Union, which has a “closed shop” there.

The company, Kohler Limited, will now apply to the industry’s industrial council for an exemption from the closed shop and is to begin talks with Fosatu’s Paper, Wood and Allied Workers’ Union for which workers voted.

The key question now is whether SATU will use its representation on the council to block this application.

If it does, workers at the plant would still have to belong to SATU—despite the fact that 94.5% of those who voted don’t want to.

□□□

EAST LONDON unionists are unlikely to arrange any protests about the detention of Ciskei security supremo Charles Sebe and his minions.

General Sebe, of course, spent the years before his own detention administering the same treatment to any unionist who crossed his path.

But any suggestion that events in Ciskei would lead to a more tolerant attitude towards unions have been quickly scotched.

No sooner had General Sebe fallen from grace than SA Allied Workers’ Union vice-president Mr Siza Njikela was detained for the umpteenth time together with a SAAWU organiser.

They are still in detention.

Sebes may come and go, but Ciskei’s war against workers and unions seems set to stay.
Biggest newsprint machine to start up

By JOHN MULCAHY

AFTER delays resulting from damage to some equipment, Sappi's newsprint machine at Ngodwana is expected to start running next month.

At 140,000 tons a year, the newsprint machine will be South Africa's biggest, with an annual capacity of at least 70,000 tons a year for export.

Production in the first year is not expected to exceed 120,000 tons, and with domestic orders for about 70,000 tons, there will be 50,000 tons for export.

Mr Eugene van As, Sappi's managing director, says there are firm orders from Japan and some commitments in principle from other customers.

Although Sappi will bump heads with arch-rival Mondi in some overseas markets, Mr van As said Mondi would not be Sappi's prime competitor in export markets.

There were various overseas producers, notably in the US, selling paper products in SA at distress prices. These would be Sappi's main targets.

Mondi's Richards Bay pulp mill, due to come on stream next year, will concentrate on the export market.

The final cost of Sappi's huge expansion programme at Ngodwana in the Eastern Transvaal is still expected to be within budget — R800-million, plus about 10% for escalation.

Although Mr van As would not disclose details of the expected return on the Ngodwana investment, he said the group as a whole was aiming for a 20% return on total assets by 1987 — "We also believe we can get 25% to 30% on equity."

As soon as the Ngodwana newsprint machine is operating, the newsprint facility at Elnatra near Springs will be converted to fine paper production at a cost of about R40-million and with a production capacity of about 56,000 tons a year.

Completion of the newsprint facility represents a milestone of Phase I of the Ngodwana project. The second phase, consisting mainly of a 730 tons a day pulp mill, is expected to be finished next year.

A dam, completed at a cost of R14-million, will ensure an uninterrupted water supply from the Ngodwana River.

Effluent is allowed back in the river, and after treatment the 15-million litres a day of effluent will be used to irrigate kikuyu pastures.

There are now about 650 cattle at Ngodwana, and the pastures will eventually provide grazing for up to 8000.

The third and final phase comprises a high-speed kraft linerboard paper machine, due for completion in 1986. It will have an initial capacity of 150,000 tons a year. This can be raised to 350,000 tons. Also included in this phase is a 35,000 tons a year waste-paper plant, due for completion early in 1985.

Elements of the first phase completed are the general infrastructure, the wood yard and coal-handling facilities, both of which have been in operation since January, and the groundwood mill.

Although unit production costs of newsprint at Ngodwana will be about 10% lower than the Elnatra product, Mr van As said the saving would not be passed on to customers — "That will go into our pocket."

Conceding that the SA cost of newsprint was higher than world prices, Mr van As said this was because of depressed world prices, but for four of the past five years SA newsprint had been cheaper than elsewhere.

The delays at Ngodwana, which initially lost four months of construction time — it had been hoped to commission the newsprint machine by the end of June — resulted from damage to six of
Recession was not the reason for Nampak closure — PWA WU

By Carolyn Dempster, Labour Reporter

Restructuring and not the recession had led to the closure of Nampak Polyfoil in Industria and the impending re- trene chment of 90 workers at Nampak Conical, the Paper, Wood and Allied Workers' Union (PWA WU) has alleged.

Workers with up to 36 years' service are being told by the Nampak Group that their services are no longer required, says PWA WU, "while at other Nampak factories overtime is worked on a regular basis and casuals are taken on regularly".

The small operation of Nampak Polyfoil in Industria, which employed 21 people, was shut down last Friday.

"Now it appears as if the operations of Nampak Conical in Industria are being run down and the company plans to retrench more than 90 workers out of a workforce of about 130," said a union spokesman.

Workers demanded to know what was happening when they saw machines being moved. Only when they confronted management were they told that "three-fourths of the workforce would be retrenched".

"The workers have since discovered that management has known since at least May that the Nampak Liquid Packaging Division was to be restructured," said the spokesman.

One employee with 26 years' service commented: "I've given all my strength to this company and now I'm thrown out like a rag."

Employees are also angry that management did not inform them of the retrenchments, although the union is recognised and has an agreement governing retrenchment procedures.

"We cannot appreciate the company's action," commented the spokesman. "A company as large and profitable as Nampak must surely be able to accommodate 90 employees. Nampak's profits went up by more than 16 percent last year. It is not fair to us that retrenchment is 'unavoidable' — in the words of the much-publicised Barlow Rand employment code."

Nampak's industrial relations manager was not available for comment.
Nampak to lay off 80 workers

Labour Reporter

Nampak Conical Containers is to go ahead with the retrenchment of 80 workers at its Industria plant on Friday.

This was announced by the Nampak management last Friday and comes after last month’s discussions with the Paper Wood and Allied Workers Union.

In its statement, Nampak said that every effort would be made to place more employees with other companies within the group.

Five workers who are to be laid off have already been placed with Printpak in Industria, and another three with Nampak Blow Moulder.

Employees to be retrenched have been offered the following options: early retirement if they are over 55 and have completed five years or more of pensionable service; a pension where the service is longer than five years but employee is under 55; a cash withdrawal benefit.
Tools downed over seven fired workers

Mall Reporter

OVER 250 workers at a Nampak factory in Industria, Johannesburg, downed tools yesterday.

They demand the reinstatement of seven dismissed workers and the end of a closed shop agreement forcing them to belong to a union affiliated to the Trade Union Council of South Africa.

According to a spokesman for the Paper, Wood and Allied Workers Union, affiliated to the Federation of South African Trade Unions, the workers believe the seven were unfairly dismissed.

The spokesman said the workers had also protested against the closed shop that forces them to belong to the SA Typographical Union.

Late yesterday afternoon, the strike was still on and management and a worker's committee were locked in negotiation. Pastu union representatives attended as observers, according to the spokesman. Negotiations are to continue tomorrow morning.
STRIKE: About 300 workers employed by Printpak company yesterday downed tools in support of their six colleagues who were dismissed by the management. The workers, members of the Paper Wood and Allied Workers Union, said the dismissals were done after they had complained about night shift allowance, no bonus, no lunch, and no pay for overtime. The company's spokesman said that the company was negotiating the matter with the workers.
A STRIKE by more than 300 members of FOSATU’s Paper, Wood and Allied Workers Union at the Indus-

tries plant of Printpak (Trans-

vaal) was settled yesterday

after talks between workers

and the Nampak group

which owns the plant.

The workers downed tools

on Thursday to protest

against the firing of seven

workers and the fact that

TUCSA’s SA Typographical

Union has a closed shop

agreement covering the

plant which forces all work-

ers to join it.

One of the terms of the set-

tlement is that the company

will open recognition talks

with PWAWU, which is likely

to lead to another blow to

SATU’s closed shop in the

printing and paper industry.

A Nampak statement yester-

day said the agreement

meant workers would return

to work “at normal time” on

Monday.

According to Nampak,

some of the employees dis-

missed had refused to take a

job in another department.

It said he had now been

reinstated after agreeing to

take the job. “All written

warnings in terms of the

company’s procedures with

regard to the employee have

been removed from the re-
cords,” the company said.

It added that an inquiry

would be conducted towards

the end of next week to de-
determine the fate of the other six

workers who were fired.

Printpak had also agreed

to open talks with PWAWU

“with a view to concluding a

recognition agreement”:

A PWAWU spokesman

said yesterday the company’s

decision to open recognition

talks with the union meant

“they have now acknowl-
edged we are the majority

union at the plant”.

He said the “underlying

cause” of the dispute had

been SATU’s closed shop at

the plant, which had led

workers to allege that Print-
pak was favouring SATU

against PWAWU.

The agreement did not

mean that SATU’s closed

shop at the plant had ended,

but attempts would be made

through other channels to end

it at Printpak, he added.
Retrenchment of 22 is 'heartless'

By Jo-Anne Collins

The summary retrenchment of 22 workers at Mondi Paper Waste in Tulisa Park, Johannesburg, has been condemned as "heartless and totally unnecessary" by the Paper, Wood and Allied Workers' Union.

The workers were told, as they received their pay packets on Thursday, that their services would no longer be required.

Mr D P Engelbrecht, manager of the Mondi plant, confirmed no notice of the move had been given: "You don't notify in these cases because the worker doesn't turn up for work then."

The union has questioned the basis of selection for retrenchment, alleging that the "last in first out" principle had not been applied and that a large proportion of workers aged over 50 years had been affected.

FURTHER QUESTIONS

Further questions posed by the PWAWU in a statement yesterday were:

- Is it fair to throw out workers over the age of 50?
- Is it fair to pay a maximum of 13 weeks' severance pay?
- Is it fair to withhold the company's share of pension contributions?

One of the retrenched workers, with over 25 years' service at Mondi, said bitterly: "I started at the company when it had only one truck and we had to carry bags on our heads. We used our strength in pressing the waste with our hands.

"Today they are rich because of our hands and now they throw us out like dogs."

The union pointed out that Mondi was part of the giant Anglo American Corporation, which controls over half the private sector in South Africa.

Mr Engelbrecht said the retrenchments had been occasioned by renovations and mechanisation. Fewer workers were required now for the same workload."
Retrenched men hit at jobs claim

Retrenched division workers at the packaging giant Nampak have challenged its statement earlier this month that it would make every effort to get them employment.

Yesterday, at the offices of the Paper, Wood and Allied Workers’ Union (Pwawu) in Johannes- burg, most of the 90 workers from Nampak Conical in Industria alleged there had been vacancies at several Nampak plants since they were retrenched. But they said that Pwawu men had not been hired.

A Nampak spokesman said a closed-shop agreement and categories of workers required stood in the way of hiring retrenched men.

One allegation concerned four temporary vacancies at Printpak, part of the Nampak group. “We put up the names of four men but then we were asked by a line foreman if they were members of the South African Typographical Union (Satu). They did not get the jobs,” a group spokesman said.

The company said it was bound by a closed-shop agreement to stick to Satu workers at Printpak.

The group’s Transvaal Box, Polyfoil and Nampak Sacks were said to be hiring new workers, in preference to taking on former Nampak Conical men.

The company said that Nampak Sacks was giving preference to workers it had retrenched in February, while Polyfoil required only temporary female staff. One Transvaal Box job had gone to a Conical worker, who had then failed to report, the management spokesman said.

A Pwawu spokesman said Nampak Conical retrenchments were not due to the recession but due to company restructuring. “They are not closing down Conical because it is doing badly. They simply want to move it to another part of the country.”
"Faithful unto the scrapheap"

By STEVEN FRIEDMAN
Labour Correspondent

Subsidaries of the country's two biggest industrial groups, Anglo American and Barlow Rand, have come under sharp attack for their retrenchment policies.

In a statement yesterday, the Paper, Wood and Allied Workers Union slammed retrenchments at Mondi Paper Waste at Tulisa Park, an Anglo subsidiary.

It said the company had retrenched long-serving workers in preference to younger ones and that, when challenged, its manager had said: "We can't run an old age home here."

PWAUW workers who were retrenched on Friday by Nampak Conical Containers, a Barlow Rand company, said yesterday the company had failed to find them jobs elsewhere in Nampak although these were available - and said this was because they belonged to PWAUW rather than Tucsa's SA Typographical Union.

A Nampak spokesman denied there were vacancies elsewhere within Nampak and said one company to which workers had been moved had to insist that they be SATU members because of a closed shop agreement.

At Mondi Paper Waste, PWAUW said the company had retrenched 23 of its 50 workers without warning. It said they were simply informed when they collected their pay on Friday they had been dismissed.

The union says, that, when questioned on this, the company's manager, Mr Engelbrecht said: "If they have been told earlier, we would have got no work out of them."

It said the company had not followed the "last in first out" principle, but had selected all workers over 50 for retrenchment, removed a third of these from the list and replaced them with younger workers.

It quoted one worker with 25 years' service as saying that the company had grown rich "because of our hands and now they throw us out like dogs."

PWAUW alleged that workers would receive at most 18 weeks' severance pay and that the company's pension contribution was being withheld from them.

At Nampak Conical Containers, workers said the retrenchments were related to reorganisation in Nampak. They also said that PWAUW members had to bear the brunt of them.

"When some of us were offered jobs with Printpak, another Nampak company, a manager said they could only hire workers who belong to Tucsa union," a worker spokesman said.

He also charged that three Nampak plants had vacancies, but had not offered these to retrenched workers.

A Nampak spokesman said Printpak was bound by the "closed shop" clause in the printing industry's industrial agreement and had to hire SATU members only."
Pavilion for Home

A new pavilion at St George's Home for Boys in Bedfordview was officially opened on Sunday.

The pavilion has been built and paid for by the school's Old Boys' association and will provide facilities for meetings as well as change rooms for sportsmen.

St George's is a home for underprivileged boys.

The pavilion was opened by the chairman of the school's executive committee, Mr Lance Smith.

IT'S THE FORMULA 1 CLIMAX
THE KYALAMI CLINCHER

OCTOBER 15th

ALAIN PROST, RENAULT ....57 Pts
NELSON PIQUET, BRABHAM ....55 Pts
RENE ARNOUX, FERRARI ....49 Pts

Be there as the world's top drivers do battle for the world championship crown.

Entrance: R8.00 per person excluding grandstand seating

No entry without ticket.

There will be no car park charge.

Child's ticket: R0.00.

Exclusive grandstand seating.

10% discount on refreshments for members of the Defence force in uniform.

Caravan area: R25.00 per caravan.

"LISTEN to 702 for the latest Grand Prix news, and there're great prizes to be won!"

"Book now at Computicket or get your ticket at the gate."
By SYEVEN FRIEDMANN

Carillon Workers Win

Business Day/Labour
Carlorc pact boosts the right to strike

By STEVEN FRIEDMAN

THE RIGHT OF WORKERS to strike received a small but significant boost last week.

Carlton Paper and Fosato's Paper, Wood and Allied Workers' Union signed an agreement at Carlton's Wadenville plant in which the company agreed that, in the event of a strike, it would either fire all strikers or none.

In so doing, Carlton turned its back on the common practice of firing strikers and then re-hiring them selectively.

This is the second such agreement — Fosato's National Union of Textile Workers signed one at Natal Thread, Hammersdale, when its legal strike at the plant was settled.

Fosato unions are expected to push for similar clauses in other agreements — which could have immense implications for the right to strike.

Sacking strikers is a double-edged sword. It is a powerful weapon in the hands of employers — particularly as influx control laws often mean fired strikers lose not only their jobs but their right to live in the cities.

But firing an entire work force is costly. Time and money spent on training workers are lost and the employer must begin training a new force at considerable expense.

Many companies have reacted to strikes by dismissing the work force and then re-employing all but a few activists. Thus they do not lose the skills of most of their workers, but do "weed out" their leaders.

This is what the Carlton and Natal Thread agreements seek to end. Unionists believe the knowledge that they cannot selectively re-employ will act as a powerful deterrent against employers who seek to fire strikers.

A PWAWU unionist says the Carlton agreement is part of an attempt to "give real content to the right to strike".

Another development on this front last week occurred at Liberty Life, which sacked 90 strikers who demanded recognition of the Insurance and Assurance Workers' Union of SA (IAWUSA).

Liberty said it would not selectively re-employ strikers. It said it had received advice that there was a likelihood of selective re-employment being seen as an "unfair labour practice" by the industrial court.

If it is, the Carlton and Natal Thread agreements would become the norm, not the exception.
New agreement will help protect striking workers

FOSATU affiliate, the Paper, Wood and Allied Workers Union, has signed an agreement that protects striking workers from victimisation during dismissals and subsequent reemployment. The agreement, which was signed by the union and the giant Carlton Paper Corporation, contains a clause which discontinues the common practice of firing workers and then rehiring them selectively.

The clause states that, should workers go on strike, the company will be obliged to either dismiss all or none of them and, if it agrees to reemploy them, then it will do so without selecting them.

Trade unionists and workers have welcomed this move which they regard as "a step in the right direction."

Unionists also contend that if bosses dismiss striking workers they will be doing so knowing full well that they will loose their entire workforce, thus making it difficult to fire workers.

The new agreement follows a prelim-
Waltons beats recession with 24% profit rise

By PAUL DOLD, Financial Editor

SOUTH AFRICA'S largest stationery group, Waltons cruised to a comfortable 24 percent rise in pre-tax profits in the first six months in spite of the recession and is raising the dividend by 20.5 percent to 20.5c.

Waltons has also announced that it is considering a pyramid.

Sales rose 18 percent to R290m with operating profits of R3 563 115 (R2 882 230). Net profits before life were 24 percent ahead at R1 940 787. The life adjustment at R228 731 was well down on the previous R509 738. Waltons switched to life last year with the main bite taking place at that stage. Net income was R1 972 056 (R972 149).

Fifo earnings per share were 61.8c (50.9c) leaving the dividend three times covered.

The encouraging performance cuts across the generally bearish trend of corporate earnings and suggests spending on stationery has been relatively unaffected by the recession. Margins have not been impaired by the downswing and Waltons has further increased market share.

The managing director, Mr Frank Roberts, says the results were achieved without any contribution from the recently acquired DRG Stationery division.

The rationalization of DRG with Waltons has gone smoothly and the first impact of profits will be in the next financial year.

The toy chain had a loss of R101 121 (R72 212) in the first half but this is normal and due to the seasonal nature of the business.

Waltons has been expanding the toy arm — Redwood Toys — into the country's largest toy retailing specialist and Redwood already has some 51 stores nationwide. Redwood is forecasting satisfactory Christmas sales and should increase its profit contribution.

Mr Roberts does not make a forecast for the second six months in the interim report, but given relatively fair trading in the group should be able to pay a total dividend for the year of around 55c after the latest 20.5 percent interim. If the high three times cover is pared, the dividend could well be higher.

Walton's performance suggests the share is well worth watching and the price should at least move up to the R10 level on these results.

The pyramid announcement suggests management is seeking to consolidate control of the group.

According to the last annual report, the directors owned 38 percent of the equity. The largest individual shareholders are pension funds with some 30 percent.

Institutional interest in the shares has been increasing against the background of the steady growth performance and last year earnings were 26.4 percent up.
ANOTHER 1,000 Reef workers yesterday went on strike over wage demands, adding to the more than 3,000 workers who this week downed tools over wages and recognition of unions.

More than 20 workers at Goldsmith Company, Johannesburg, downed tools yesterday after management had sacked a shop steward of the African Allied Workers' Union.

Management said the workers had fired themselves by going on strike.

More than 250 workers at Nampak Tissue in Pretoria West ended their two-day strike in protest against the company's refusal to accept pay increases demanded by the employees.

Nampak's general manager, Mr Frans Herman, said the company would enter into negotiations with the workers' representative on condition that the strike ended immediately.

Workers at Rosslyn Company continued a strike today over the expulsion of a colleague. Some 450 workers from the Asea Electric Cable Company began the strike on Tuesday.

More than 200 workers stopped work at Carborundum Universal factory in Kempton Road, Port Elizabeth yesterday after seven security guards were retrenched.
RIDING THE SWITCHBACK
Annual growth in narrow money supply (M1)

<table>
<thead>
<tr>
<th>UNITED STATES</th>
<th>SOUTH AFRICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>7'6</td>
<td>7'7</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>50</td>
<td>50</td>
</tr>
</tbody>
</table>

Source: Estimates

Money.
Moreover, interest rates are not only less controllable than money supply. They're more politically visible, and it requires tremendous will to maintain the pressure. By all accounts, the Reserve Bank has not been equal to the task.
"The Bank changed tack in mid-1982, just when the medicine was working," says an economist who does not wish to be identified. "It forced prime rates down when money market rates softened in response to the rise in the gold price. Horwood thought gold would save us. He was wrong."

Says another: "The monetary authorities always back down when the crunch comes. In the US and the UK they let rates go as high as and as long as necessary until they actually break inflationary expectations. It's the only way to show you mean business, to jump the credibility gap. In SA, they're simply not willing to do it."

Of course, it's no secret that SA's money supply figures are suspect. They are often artificially inflated and deflated by flows in and out of their defined target areas that disguise underlying truths. "In fact," says an economist, "this has tripped up the Bank before and made management to the tremendous demand for credit building up in the system."

They will obviously have to be revised, a fact that hasn't escaped the Bank. Some economists, for instance, believe that cash as we know it — bank notes and coin — is a better indicator. But in the meantime, the Reserve Bank has pledged itself to control the existing aggregates.

University of Cape Town economist Brian Kantor, who reports a 17% trend growth on latest figures, is one who believes that the Bank is doing it. However, no good reasons appear for thinking that another miscalculation in foreign exchange management, or in government's budgetary projections, or in predicting consumer confidence, will not send the aggregates way off course again. And unless Pretoria finds the political will to complete the market-determined system it is inching towards, and accept its consequences, those reasons will not appear.

METAL BOX

Ready for battle

The emergence, from one of the most complicated corporate deals ever constructed, of a new look Metal Box must have given even the most confident of its competitors pause for thought.
The packaging industry has probably become the most competitive of any in SA, with the recession seemingly spawing increased competition rather than allowing only the strongest to survive. The merger of Metal Box and Nampack was therefore a logical step towards the consolidation of an already strong base by two of the industry's leaders. The decision was not made, however, on the basis of potential rationalisation benefits — either in the respective workforces or overheads.

Of the previous Nampack divisions now injected into Metal Box over 90% are complementary to existing MB operations. The only duplication occurs in the two firm's plastic divisions and in cores and tubes, but even there it is expected any slack will be taken up by organic growth.

New Metal Box MD Peter Campbell, who took over following the departure of Derek Jacobs to Barlow Rand with MB's industrial divisions, is confident that the marriage will prove successful. Since 1977 Metal Box has been working towards a reduced dependence on its tinplate packaging. Campbell sees this latest move as the best possible conclusion to MB's diversification plans.

The new-look metal Box, following the merger with Nampack, now has the widest range of packaging services in SA. The FM looks at its strengths and weaknesses.

Although Nampack becomes the controlling shareholder, with over 51% of MB, Metal Box UK still retains a significant investment with its 25% stake in the enlarged operation. In fact, Nampack insisted as a precondition of the deal that Metal Box UK remain involved with the local operation. Apart from anything else it helps ensure that the UK firm's extensive research and development facilities will remain accessible to the SA operation.

Campbell says, however, that the major advantage of the increased operating base will be the ability to offer customers virtually any form of packaging. Whereas customers may have been forced to look elsewhere before, they can now be catered for within one of the other divisions should their requirements change.

Most of this effort will be generated within the diversified packaging division. This operation will be structured to work closely with customers, to develop new packaging opportunities and to improve and extend existing lines. One example is development work being undertaken on a composite two-piece beer can, which has a plastic base and sides, but a metal top.

One of the most exciting growth areas will, however, be the flexible packaging division. Bas Kardol, who is chairman of both Nampack and the new Metal Box, says this operation suffered an extremely difficult time in the past 18 months — due mainly to problems of its own making.

Nampack took the division back under the corporate wing and returned it to the right road. Now Kardol feels that this aspect of the deal was undervalued. Extensive changes have been made to the product mix, productivity and management and he says it would now be difficult to find a better company anywhere. Although smaller than before, it is also leaner and back in profit and is expected to provide some stiff opposition to the rest of the industry.

Probably the most interesting development for the new Metal Box will be the addition of a glass manufacturing facility. Developed at a cost of some R48m by Nampack over the past few years, it only recently produced its first bottles. And although only one furnace is operating at present, a second is likely to come on stream during 1985 and a third not long after.
SLIPPERY CUSTOMER
Causes of changes in M2

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold &amp; foreign reserves borrowing</th>
<th>Government borrowing</th>
<th>Private sector borrowing</th>
<th>Long-term deposits</th>
<th>% change in M2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>3Q</td>
<td>+241</td>
<td>+184</td>
<td>+263</td>
<td>-90</td>
</tr>
<tr>
<td></td>
<td>4Q</td>
<td>+131</td>
<td>+257</td>
<td>+676</td>
<td>-126</td>
</tr>
<tr>
<td>1980</td>
<td>1Q</td>
<td>-176</td>
<td>-982</td>
<td>+769</td>
<td>-280</td>
</tr>
<tr>
<td></td>
<td>2Q</td>
<td>-146</td>
<td>+873</td>
<td>+681</td>
<td>+166</td>
</tr>
<tr>
<td></td>
<td>3Q</td>
<td>+604</td>
<td>-649</td>
<td>+1162</td>
<td>-331</td>
</tr>
<tr>
<td></td>
<td>4Q</td>
<td>-20</td>
<td>+88</td>
<td>+1338</td>
<td>-4</td>
</tr>
<tr>
<td>1981</td>
<td>1Q</td>
<td>-262</td>
<td>-144</td>
<td>+1878</td>
<td>-63</td>
</tr>
<tr>
<td></td>
<td>2Q</td>
<td>-437</td>
<td>+162</td>
<td>+1368</td>
<td>-308</td>
</tr>
<tr>
<td></td>
<td>3Q</td>
<td>-236</td>
<td>+398</td>
<td>+225</td>
<td>+637</td>
</tr>
<tr>
<td></td>
<td>4Q</td>
<td>-131</td>
<td>+323</td>
<td>+154</td>
<td>-226</td>
</tr>
<tr>
<td>1982</td>
<td>1Q</td>
<td>-964</td>
<td>+982</td>
<td>+1739</td>
<td>+717</td>
</tr>
<tr>
<td></td>
<td>2Q</td>
<td>-742</td>
<td>-228</td>
<td>+1033</td>
<td>+168</td>
</tr>
<tr>
<td></td>
<td>3Q</td>
<td>-118</td>
<td>-594</td>
<td>+1246</td>
<td>-682</td>
</tr>
<tr>
<td></td>
<td>4Q</td>
<td>+1009</td>
<td>-732</td>
<td>+847</td>
<td>+247</td>
</tr>
<tr>
<td>1983</td>
<td>1Q</td>
<td>+857</td>
<td>-11</td>
<td>+703</td>
<td>-189</td>
</tr>
<tr>
<td></td>
<td>2Q</td>
<td>-284</td>
<td>+468</td>
<td>+211</td>
<td>+17</td>
</tr>
</tbody>
</table>

Source: Reserve Bank

This is one way of breaking down money supply. As can be seen, foreign exchange flows tend to be the most volatile element. However, bank lending to the private sector is the most persistent contributor to increases in the money supply. Borrowers use their bank loans to make payments to others, who then deposit the cash. This creates deposits where none existed before and the supply of money — defined as a measure of total deposits — increases.

Long-term deposits are outside the deposit pool defined as money supply. So when cash in a demand or medium-term deposit is transferred to a long-term deposit, it leaves the pool and money supply falls. Hence the minus signs in the table beside long-term deposits, indicating a reducing effect on money supply, denote an increase in long-term deposits, and vice versa.

The annualised changes in M2 in the final column are calculated by multiplying each quarterly change by four (compounded) and introducing a seasonal adjustment. They indicate how much money supply would have increased in a whole year if it had persisted at the rate of change of any one quarter.

**MEANING OF MONEY**

M1, the narrowly-defined money supply, consists of: bank notes and coin, and domestic demand deposits (excluding those held by one bank at another). M2, the broadly-defined money supply consists of: M1 plus one-to-six month deposits, including saving deposits (but excluding those held by one bank at another).

**Political obstacles**

Reserve Bank governor Gerhard de Kock is plashing in a cash base reserve system. But he's got some way to go, and there are political obstacles. The reserve ratio of liquid assets means that there is a steady demand for deposits from the banks. This drives up their prices and therefore lowers their interest rates. So if you want cheap credit, issue short-term paper and declare it a liquid asset. Government and semi-government agencies, like the Land Bank, have been using the system as a source of cheap borrowing for years, so De Kock's rational drive towards a cash base won't be a smooth one.

Much follows from this fundamental weakness. SA is an open economy, highly dependent on foreign trade flows and subject to external monetary influences. "And we have a system," says Standard Bank economist Nico Cypionka, "almost unique, apart from a few oil-producing countries, in its technical inability to cope with large external swings. What we need is a completely flexible exchange rate."

When the exchange rate is fixed, or merely "rigidified" by Reserve Bank manipulation, the flood of foreign exchange that follows a sharp rise in the gold price translates into a flood of rands that swell the liquid asset base of the banking system. This flow is reduced if the rand is allowed to follow market forces and, in this example, rise. The exchange rate, in fact the whole foreign exchange market, is vastly more flexible than it used to be. As the Rand Afrikaans University economist, Professor Geert de Wet, points out, "no longer does each unit of foreign currency become a liquid asset." But the political forces that interfere with this self-adjusting mechanism remain.

One is a national obsession with building up a large pool of foreign reserves. Another is the protectionist wall of exchange control that prevents liquidity inflows from leaking out again. Yet another is the Reserve Bank's tendency, again waning slowly, to use the rand's exchange rate as a policy tool. Just one example: in late 1982, following a sharp rise in the gold price, it held back the rand to inhibit imports and protect the balance of payments. The market, sure the rand was set to rise, took advantage of lower foreign interest rates by raising trade credits abroad without for-ward cover. Short-term capital flooded into the country and the money supply ballooned.

The Reserve Bank is also vulnerable to the Treasury. On at least two notable occasions in the last three years it has bankrolled Pretoria — once (in 1981) to make "strategic purchases" and once (earlier this year) when the fiscus hit a rocky cash flow.

**Roundabout route**

So the Bank has both technical and political problems with the supply of money, problems which it admits. Its response, more or less tacit, has been to attempt to reduce supply by a roundabout route — through the demand for money. That means placing the burden of control on what determines demand — in other words, interest rates.

This approach may be more appropriate under the existing system. As Shostak points out, open market operations on a liquid asset system tend to affect interest rates primarily. But interest rates are a circuitous route to supply. First the real economy reacts by tightening its belt. Then the demand for credit falls. Only later (and darkly) may it be reflected in the supply of
The foundations have already been laid for the additional furnaces and Kardol expects these can both be installed for a total cost less than was needed for the first. Market share is not a worry, though clearly Metal Box expects to take business away from Consol, as growth is budgeted to be more than sufficient to ensure all three furnaces operate at capacity shortly after being commissioned. Turnover from the glass side is expected to be between R10m-R15m in the year to next September 30, with the furnace at capacity by the second half of the year.

Liquid packaging requires increasingly innovative marketing and product design effort, due to the increased competition in this area. Kardol believes it will nevertheless continue to thrive and provide an important complementary operation to the other group divisions.

In the first year of operation, at least, Metal Box’s basic food and beverage can-making division will provide the largest single contribution to group turnover. Campbell says it may continue to do so for quite a while — given the country’s growing population and the increased awareness and sophistication at the lower end of the market. This year growth will, however, be slowed by the side effects of the drought, which is expected significantly to cut volumes of canned fruit and vegetables.

Another problem has been the growth of the European canning industry. Last year over 85% of SA’s canned fruit and a large amount of canned vegetables were exported. Increased canning activity in the EEC, combined with the high tariffs for non-members, has taken its toll. But Campbell says any export declines should be more than offset by growth in SA.

The Barlow touch

Metal Box will retain its own identity, outside the Nampak/Barlow fold, but the beginnings of the Barlow Rand management philosophy are already evident. Kardol is adamant that every manager must have the responsibility to take decisions without constant recourse to higher authority. And, while he says Metal Box was centrally controlled, there are signs that decentralisation and divisional autonomy are being brought in.

Campbell says his management team will consist of nine senior managers who will effectively run separate operations and report to him. These will be the heads of the five manufacturing divisions, plus group financial, personnel, legal and technical controllers. The object is to push as much responsibility as possible even further down the line, which eventually allows individuals the opportunity to prove themselves.

Kardol says Nampak was the first company in the Barlow group to adopt this practice and, while he admits it does occasionally cause problems, it has proved extremely successful. The Nampak preliminary results for the year to September 30, due out shortly, should provide further proof of this policy.

Metal Box is obviously well-placed to move ahead strongly. The pro forma income statement for the new company would have generated pre-tax profit of R42m in the year ended March 31 (using the Nampak figures for the year ended September 30, 1983) on turnover of R525m. These figures are expected to rise to around R55m pre-tax and turnover of over R600m in the first full year of operation, to September 30 1984.

The number of shares in issue has virtually doubled as a result of the deal. The intention is to maintain dividend cover at around 2.25 times, which implies that this year’s dividend will be substantially less than last year’s 45c. Based on the pro forma figures for last year the dividend would have been 22.4c from earnings of 50.4c a share.

This, however, ignores the income shareholders would have received from their new shares in Robor, the split-off industrial operation, and their additional Nampak shares or cash.

Assuming a 30c payout this year Metal Box is valued at a prospective 3.2% dividend yield at its current 950c share price. The 950c valuation, however, still includes the Robor and Nampak potential. When the deal has been concluded it is likely the share price will fall to around 890c. But the growth potential is certainly there and the company’s own earnings estimates for this year are probably fairly conservative.

In the longer term, Kardol expects Metal Box to generate growth outside SA. He says it will probably take a year before the Nampak merger is fully digested, but after that the company will be on the acquisition trail. While this has not been given much attention to date, it appears the next logical step now that their base is fixed.

Barlow Rand is generally not known for its poor acquisition decisions. This is because of the emphasis placed on acquiring strong management as well as growth opportunities. As one Barlow director said “We may have paid over the top for Nampak, but we got Bas Kardol extremely cheaply.” The same seems to apply as far as Jacobs and Campbell are concerned.

Peter Parley

---

Financial Mail October 28 1983
Take a hard line with your investments.

Investments do not have to be risky, time consuming propositions. If you invest for the long run in carefully chosen hard assets and apply a measure of common sense and patience, you should be able to reap very handsome profits without losing any sleep.

Hard assets have an excellent long term record. They are an ideal hedge against inflation, currency erosion or banking failures. What's more, in times of political unrest, war or chaos their values can skyrocket because they are the only money people trust.

If you keep your hard assets for a reasonable period of time you could enjoy your profits tax-free. And if you need cash urgently, you can usually borrow against them and often pay off your loan at a lower rate than that at which they are appreciating.

So, take a hard line with your investments today. Talk to a Broker at The Gold and Hard Asset Exchange (Pty) Ltd.

As the nation's premier marketplace for hard asset investments, The Gold and Hard Asset Exchange does for these commodities what a stock exchange does for stocks and shares. It provides an open market where members of the public as well as institutions and dealers can buy and sell with complete confidence. The Exchange never owns any of the items traded through it. It merely acts as an organised and efficient marketplace.

Prices are determined by buyers and sellers themselves with no hidden mark-ups or extra charges. Thus, by trading through The Exchange you are assured of good value when you buy and a fair market price when you sell. And you don't have to be an expert. The Exchange's fully trained brokers will give you all the assistance you need.

Simply phone (011) 331-3331. Or visit us on the 18th Floor, Kine Centre, Commissioner Street, Johannesburg.

The Gold and Hard Asset Exchange

Where you can buy and sell with confidence.

Union will hold strike ballot at Dunlop tyre factory

Mercury Reporter

A union spokesman said the dispute had now dragged into the fourth week and 'all efforts on the part of the union to resolve the dispute over wages, shift allowances and various bonus schemes have been rejected by the company, which is refusing to put its "final offer" on the table.'

Of particular interest is the company's refusal of mediation. This is the first time a company has ever refused an offer of mediation by the union and has been interpreted by the union as a clear indication that it intends to provoke industrial action at the plant,' he added.

Meanwhile, the union will declare a dispute with Dunlop's Ladysmith branch over its alleged failure to sign a recognition agreement negotiated between the two parties.

The union spokesman added that it had indicated that it considered the company's 'failure to comply with the agreement an unfair labour practice which is having the effect of jeopardising industrial peace at the factory.'

The union also announced that it had been holding discussions on the situation at Dunlop with representatives of the National Automobile and Allied Workers' Union, another Fosatoo-affiliate, which is organised in the major vehicle manufacturing firms.

'The spokesman for Dunlop would not comment when approached by the Mercury yesterday, but the company is on record as saying that its doors have not been closed to wage negotiations with the union.'
Job change saves factory worker

Our Correspondent

DURBAN — Fate was on the side of a factory worker when he missed death by metres in the killer explosion at the Westmead paper factory yesterday after swapping jobs with another worker.

Mr Jabulani Shongwe (35), a machine operator at the Allied Paper and Industrial Paper Distributors, escaped unscathed from the explosion, while two of his friends were killed and a third was seriously burnt close to the machine where Mr Shongwe usually worked.

The manager of the firm, Mr Denys Blackbeard, said about 26 workers managed to run away from the disaster area after a steam cylinder exploded.

The 1.5 m wide cylinder, used to make crepe paper, exploded after pressure built up inside it, probably as a result of a blocked pipe, he said.

"I was sitting at my desk when I heard an enormous bang and glass shattered all around me. At first I thought the boiler had blown up, but later found it was a steam cylinder."

The powerful explosion hurled chunks of metal and shrapnel across the room, ripped down the the coater machine, knocked down pillars, tore window frames from their sockets and shattered windows throughout the building and in the next-door factory.

"We ran out the door at the side. I usually work near where the men died, but had to take over from someone on night shift at the back of the room yesterday. If I was at the usual place it would have killed me," said a shaken Mr Shongwe.

The names of the two dead men, one the 31-year-old father of three small children and the other a 22-year-old single man, have not yet been released.

A critically injured man, Mr S Govindasamy, was admitted to H K Khan Hospital with severe burns.
Out on strike

MORE than 100 workers at New and Golden Paper Bag Manufacturers chanting freedom songs staged a demonstration against their management for refusing to reinstate a dismissed colleague.

The workers, members of the Fosatu-affiliate Paper, Wood and Allied Workers' Union, entered their second day of strike over the sacking of a worker and recognition of their union.

They also reject the Trade Union Council of SA's affiliate — South African Typographical Union — which has a closed shop agreement with the management. Workers say the union has been "forced down our throats by management."

- About 500 workers have gone on strike over wage demands and other job-related issues at two major companies in Oliefontein. The workers are striking at Johnson Tiles and at Masterbuilt (Pty) Ltd.

Mr C Joubert, personnel manager of Johnson Tiles, late yesterday said things were back to normal.
Company issues a court threat to union

By STEVEN FRIEDMAN
Labour Correspondent
A COMPANY has started legal action against a trade union, alleging "unfair labour practice".

The move, in an industrial court, is believed to be without precedent in this country.

The company, Howick firm BTR Sarmcol, has declared a dispute with the Metal and Allied Workers' Union, charging it has failed to "bargain in good faith".

The union says it will fight the case.

Sarmcol have requested the Minister of Manpower to appoint a conciliation board to settle the dispute.

A company spokesman said yesterday that, if the board failed to settle it, Sarmcol would take industrial court action.

Although unions have made frequent use of the court to allege employers have been guilty of "unfair labour practices", this is believed to be the first time an employer has taken such action against a union.

If the case comes to court, it will have important implications for unions and employers throughout industry and could open the floodgates to a spate of similar cases.

Sarmcol's action flows from a dispute with MAWU over severance pay, after agreeing to negotiate a recognition agreement with the union.

MAWU has demanded that retrenched workers receive two week's severance pay for every year they have worked.

It wants negotiation on this at the same time as recognition talks.

The company argues that severance pay should not form part of recognition talks and that the issue should be negotiated after the union is recognised.

The company's spokesman said MAWU had adopted a "rigid and inflexible stance during negotiations" on the issue by refusing to move from its demand.

"They have told us it is union policy to demand two week's pay and they refuse to budge.

"We believe this means they are not prepared to bargain in good faith," the spokesman said.

He confirmed a claim by the union that the two sides had agreed to negotiate a recognition agreement within three months of MAWU recruiting a majority at the plant and that this had not been done.

"We believe the union is responsible for this. They have set conditions for the signing of an agreement - such as severance pay - because they do not want to be subject to the discipline of a formal agreement," he said.

A MAWU spokesman said the union would fight the case if it went to court.

"Their claim that we are inflexible is nonsense," he said. "We originally demanded that workers who were made redundant receive four weeks' severance pay for each year they had worked. We changed that to two weeks - so we have been prepared to adjust our demands."
Waltons to pyramid — Walcon debut in January

By PAUL DOLD, Financial Editor

Waltons is to become the sixth Cape Town company in recent months to pyramid after Retco, Clicx, Peps Stores, Garlicks and Pick 'n Pay and the new holding company Walcon will make its JSE debut towards the end of January.

Last night the managing director, Mr. Frank Roberts, said Waltons was trading ahead of budget and the second half profit figures will be published in March. A formal announcement of the pyramid scheme will be made on Friday but the effect of the operation is that Waltons shareholders holding 100 ordinaries will then hold 200 shares in Waltons and 100 in Walcon.

Waltons is commonly undertaking to treat minorities fairly with any future bidder for the pyramid having to make a similar offer to shareholders in the operating company.

Waltons has also tried to spell out the effect on minorities of the pyramid scheme and estimates that on the basis of an existing ordinary trading at R1.6, the new Waltons shares should trade at 1.60c and Walcon at 50c (two Waltons and one Walcon making up the 1.60c total).

The scheme will secure control of Waltons in the management with the latter holding 50 percent of Walcon, which in turn will own 50 percent of Waltons itself. Currently management and staff have some 50 percent of Waltons.

Walcon will end up with an issued share capital of 2,922,064 shares compared with a Waltons capital of 1,15m.

The terms of the scheme are that Waltons will make a cap issue of three new shares for every one held. Two shares will then be allotted to Walcon with the remaining share being issued to shareholders as a renounceable letter of allotment.

Walcon shareholders are to be given one free share in Walcon.

Certain institutional shareholders have agreed to retain part of their holding in the bottom company. Their Walcon shares up to a maximum of 540,312 will be swapped for Waltons. The swap will be on the basis of one Walcon for two Waltons. The offer is also open to any minority shareholder.

According to the draft timetable, scheme meetings will be held on January 9 with Walcon shares being first listed on January 23.

Garlicks' outlook

GARLICKS will at least maintain its dividend this year in spite of the downsizing in consumer spending, the chairman, Mr. John Garlick, told shareholders at the annual meeting yesterday.

The group paid a total of 44c (40c) last year. Turnover for the first four months of the current year is slightly ahead of last year but there is still growth in real terms. No set trading pattern has emerged with sales patchy and varying from month to month making forecasting difficult.

Trading at the new Durban store, which was bought from Stuttafords in October, is in line with forecasts.

While start-up costs are likely to have a slight adverse impact on profits, the Durban store is expected to make a contribution to profits in the next financial year and a material impact in the longer term.

XACTICS LIMITED

(Incorporated in the Republic of South Africa)

Director: V R Meyerson (Chairman), P Pfitz (Montreal), K J H Kinkel (Australia), J Wernander (Australia), J T Wesson

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 AUGUST 1983

1. TRADING RESULTS

The unaudited trading results of the Group, for the six months ended 31 August 1983, are as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>31 August 1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td></td>
</tr>
<tr>
<td>Balance Sheet</td>
<td></td>
</tr>
<tr>
<td>Share Equity</td>
<td></td>
</tr>
</tbody>
</table>

Mr Mike Revington has been appointed a director of PG Wood (Cape) (Pty) Ltd.

Esc attr.

Own Correspondent

JOHANNESBURG — Rand London Coal is to be absorbed into its holding company, Rand London Corporation, thus disappearing from the Johannesburg Stock Exchange board.

This is the main thrust of proposals released yesterday by Central Merchant Bank, and which bring to an end 10 days of speculation on the reasons for the suspension of Rand London, and Rand London Coal, on November 6.

The proposals have yet to be approved by the Johannesburg Stock Exchange and the London Stock Exchange, but they provide for a straight swap of new Rand London shares for Rand London Coal.

Results

Although results for the six months to September 30 have not yet been published, the Senbani announcement said that because of the downturn in industrial coal markets, the depressed economic conditions in the Western world and the closure of the Kempsfield and Brockwell mines, RL Coal had continued to trade at a loss.

Esc attr.

Own Correspondent

JOHANNESBURG — Escom has acquired controlling interest in the three loans 154, 158 and 159, allocating a total of R100m.

The popular Loan 154, 10 2007, which att 80 percent of the times, with Loan 158, 2007, and 10 coupon Loan 154, 10 2007, has a 100 percent total.
 Strike enters its third day

The strike by 100 workers at Golden Era Stationers in Johannesburg today entered its third day after talks between management and the Paper, Wood and Allied Workers Union became deadlocked.

The workers, about half of the factory workforce, went on strike on Monday over the dismissal of a colleague, Mr M Makhatini, the previous Friday.

Among the demands which the striking workers have presented to management are: recognition of the Paper, Wood and Allied Workers Union; that management should apply for exemption from the closed-shop principle which requires that all workers upon joining the company become members of the South African Typographical Union; and the reinstatement of Mr Makhatini.

The manager of the company, Mr K Chita, said he had already agreed to these requests in previous discussions with the union's representatives.

"It would seem that the workers went on strike because of this dismissal," Mr Makhatini had twice been warned before finally being dismissed for insubordination to a superior, he said. However, management was prepared to hold a hearing to determine whether or not Mr Makhatini was in the wrong, with an impartial third party as judge.

The union is demanding the reinstatement of Mr Makhatini before the hearing is held.
PRESS STATEMENTS

DUNLOP DISPUTE DRAGS ON

On Thursday 14th November a Conciliation Board meeting was attended by representatives of Dunlop SA (Tyre Division) and of the Metal and Allied Workers Union under the chairmanship of an official from the Department of Manpower.

MAWU motivated its claim for wage increases of between 8 per cent and 18 per cent on the basis that the current wages at the factory were far below the household effective level and supplemented living level as well as below their competitors like Firestone, Goodyear, and General Tyres. MAWU also argued that the company had made huge profits during 1982 and that these profits had been maintained in the first half of 1983.

Dunlop management did not dispute the company's ability to pay what the union was demanding but said that its policy on wages was determined by the availability of labour as determined by market forces from time to time.

After 6 hours the parties were still unable to reach any agreement but the company requested that one further meeting of the Conciliation Board be held and undertook to table further proposals.

MAWU agreed to this request and the next meeting was set down for the 5th December but union shop stewards remained sceptical last night that any agreement would then be reached although they said that 'the ball was now in Dunlop's court.'

MAWU Branch Secretary Metal
25.11.83
enough to grace the top of any
mash. The Standard 2
of the Johannesburg Girls'
om the concert and carol service,
were taken part in the "Night
Christmas" their offering for
mas season.

In more down to earth mood
Saturday 1st class play out the Eu-
Dream of "A White Christ-
 Pictures by Manuel Pinheiro.

nment man

nother day Cross-
people. The first
4uguletu, has been

second was to be the
KTC camp is,
third phase was
where Old Cross-
now.

all of a sudden
promises are few.
We read in the
apers we are to be

ison" maize wasn't
er limit — doctor

hoth and
humid for holidays

Very hot and humid weather will mark the
Beginning of the Trans-
vaal school holidays.

The Pretoria Weather Bureau said today the
two days of good rains experienced in the Trans-
vaal will result in a rise in temperatures and
humidity.

However, this would also mean that the possi-
bility of isolated thunder showers today and to-
morrow would increase, a spokesman said.

In central Johannesburg 34 mm of rain was
recorded yesterday. This brings the amount regis-
tered this month to
106 mm.

In Bryanston 36 mm was recorded and in the
Southern Suburb 26 mm.

Central Pretoria regis-
tered 20.3 mm and, ac-
cording to the Weather
Bureau, good rains also
fell over large areas of the
Free State, with some
places recording more than
100 mm.

very hot and humid weather will mark the
Beginning of the Trans-
vaal school holidays.

The Pretoria Weather Bureau said today the
two days of good rains experienced in the Trans-
vaal will result in a rise in temperatures and
humidity.

However, this would also mean that the possi-
bility of isolated thunder showers today and to-
morrow would increase, a spokesman said.

In central Johannesburg 34 mm of rain was
recorded yesterday. This brings the amount regis-
tered this month to
106 mm.

In Bryanston 36 mm was recorded and in the
Southern Suburb 26 mm.

Central Pretoria regis-
tered 20.3 mm and, ac-
cording to the Weather
Bureau, good rains also
fell over large areas of the
Free State, with some
places recording more than
100 mm.

The largest sports car
field of the 1983 endur-
ance racing season —
apt from Le Mans —
lines up at Kyami
for the first un-
timed practice session
Saturday's final round of
the world championship,
the Castrol 1,000.

The Kyami race will
decide the seven-round
battle for the drivers' sec-
section of the World Endur-
ance Championship,
with Rothmans Porsche
drivers Jacky Ickx and
Derek Bell in contention
for the title.

Ickx, the reigning
champion, has 83 points,
while Bell, his nearest
rival, has 74, both scored in
five races. With the
best five results of the
season counting and 20
points awarded for a win,
either driver could take
the title at Kyami.

Among the 28 overseas
entries are the works
Lancia-Ferrari, keen to
topple the Germans after
a season fraught with de-
Papermill strikers go back at Wadeville

Labour Reporter

The 250 striking workers at Carlton Paper's Wadeville papermill returned to work today after it was decided that the dispute be settled through mediation.

The workers downed tools on Tuesday morning after a colleague was dismissed by a production superintendent.

A spokesman for the company said that the workers — all members of the Paper, Wood and Allied Workers' Union (PWAWU) — did not follow the grievance procedures recently agreed on by both parties.

"The strike was therefore illegal and it was decided that the dispute would be through mediation," he said.

The recognition agreement which PWAWU recently concluded with the company contains a clause which provides for the dismissal of all or none of the striking workers and, in the event of mass dismissal, the company has agreed not to selectively re-employ workers.
Man dismissed, workers down tools in protest

By STEVEN FRIEDMAN
Labour Correspondent

WORKERS at Carlton Paper's Wadeville mill have downed tools in protest at the dismissal of a worker.

Talks between the company and the Paper Wood and Allied Workers' Union have taken place since the strike, however, and by late yesterday afternoon the company was confident of a speedy return to work.

The strike is likely to attract considerable interest because the recently-signed recognition agreement between the company and the PWAWU contains a strike clause unique in the Transvaal. It says that, in the event of a strike, the company will either fire all or none of the strikers.

However, Carlton alleges that this stipulation does not apply in the present dispute because workers struck before following the grievance procedure laid down in its recognition agreement.

"If workers strike without following the correct procedures for longer than 72 hours, the whole agreement falls away. But we obviously don't want this to happen and we are working hard to achieve a settlement," said a company spokesman, Mr Keith Patridge, yesterday. The union was meeting yesterday afternoon to discuss a return to work, he said.

A company statement said Carlton had called on workers to return so an inquiry into the "dismissal recommendation", which sparked the strike can "proceed as embodied in the agreement".

It said Carlton was willing to consider the dismissal in terms of the procedures laid down in its agreement with the union "when the procedures laid down in the agreement between the union and the company are adhered to — starting with a return to work".

The union could not be contacted for comment.

About 120 workers at Union Liquids Air in Germiston struck yesterday, according to a spokesman for the Chemical Workers' Industrial Union.

He said workers had been negotiating with the company since June, but that this had still not been reached and that they had struck in protest at this. A company spokesman refused to comment.
Financial Reporter

CONSOL, Anglovaal’s packaging arm, has bought Cargus Packaging (Pty) of Bellville for about R1m.

The acquisition represents Consol’s entry into the consumer sector of the flexible packaging market. Cargus will be incorporated as a subsidiary of Consol Plastic Packaging (Pty).

Cargus is involved mainly in the manufacture of bundle shrink film, liners and check-out bags.

In the last financial year flexible pre-packaging contributed a third of Cargus’s turnover.

The takeover is retrospective to October 25 and, as soon as the details have been finalised, Mr Gus Gunther, Cargus’s managing director, will withdraw from management.

Mr Keith Reid will take over from Mr Gunther as regional manager of Consol Flexible Plastics. Mr Colin Wood and Mr Herbie Appel will continue respectively as Cargus’s sales and technical managers.
Labour Correspondent

MONDI Paper Company, a subsidiary of the giant Anglo American group, has recognised Fesata's Paper, Wood and Allied Workers' Union after a two-year battle for recognition which became heated on several occasions.

A joint statement yesterday by the two sides announced that Mondi had recognised the union at its Felixton mill in KwaZulu.

The statement said the union also claimed majority membership at three other Mondi mills — Morebank, Ungasi and Piet Retief — and that talks on union recognition at these mills were taking place.

However, it is understood a key union demand — that it have the right to negotiate wages directly with Mondi at the mills — has not been granted in the agreement.

Mondi wants wages to be negotiated at an industrial council, but the PWAU has thus far refused to join the council.

It is understood that, despite its willingness to sign the agreement, the PWAU has not abandoned its desire to negotiate directly with the company.

The dispute between Mondi and the PWAU has been seen as a key test for the union in the paper industry.

Although two paper companies, Premier Paper and Carlton Paper, have been prepared to negotiate with the PWAU outside the official industrial council system, Mondi and another key paper company, Sappi, have insisted that wage negotiations take place at an industrial council.

It is understood that the signing of the agreement follows a marked easing of relations between the company and the union.

Yesterday's joint statement said the recognition agreement at Felixton followed "negotiations lasting two years".
Closed shop waived for 700 SATU men

Labour Correspondent

About 700 workers at two Transvaal factories have won an exemption from the printing industry's "closed shop" agreement — which means they no longer have to belong to Tusca's SA Typographical Union (SATU).

This was announced yesterday in a statement by the Paper, Wood and Allied Workers' Union (PWAWU) — an affiliate of the Federation of SA Trade Unions — which the workers have joined in preference to SATU.

The PWAWU sees the exemption — granted after the two companies intervened in support of the application for workers to be freed from the "closed shop" — as a major breakthrough in its battle to end the agreement which forces black workers to belong to SATU.

The two companies are Koebo Correspondent in Brulp and Prinipak in Industria, which is part of Barlow Rand's Nipipak subsidiary.

The "closed shop" in the printing industry forces black workers to belong to SATU. However, in a number of factories, black workers have sought to resign from the union and to join the PWAWU instead.

They are not permitted to resign from SATU, however, unless the industry's industrial council grants an exemption from the "closed shop" clause.

It is expected that further applications for exemption from SATU's closed shop will be made in the near future.
The Natal branch of the Metal and Allied Workers' Union (Mawu) has signed three full recognition agreements with companies in the Maritzburg/Durban area, a union statement announced yesterday.

According to Mawu, this means its Natal branch has now signed 28 recognition agreements with employers.

The union named two of the three companies which had recognised it as Van Leer — a Dutch-owned metal container firm — and Pillar Naco, a subsidiary of the Plate Glass group. It did not name the third company.

The statement said all three agreements gave the union "full plant-based bargaining rights" and also provided for grievances and discipline procedures and the right of shop stewards to operate in the plants.

Mawu described the three agreements as "useful and constructive".

The union's Natal branch has grown rapidly this year and claims its membership has doubled in a matter of months.
ABOUT 700 workers at two factories have been exempted by their employers from belonging to the Tuseca-affiliated South African Typographical Union (Satu) and to join a Fosatu-affiliate, The Paper, Wood and Allied Workers' Union (PWAWU).

Kohler Corrugated in Brakpan and Print Pack in Industria have a closed-shop agreement that forced workers to belong to Satu.

This move, which has been regarded as a "major breakthrough" by the union and members, was taken after the workers had made it clear that they wished to belong to PWAWU.

In a statement to The SOWETAN, the union says that there is presently a "flood of workers" who are trying to leave Satu to join PWAWU.

The main complaints of the workers, according to the union, are:
1. Satu does not represent them or fight for their interests;
2. Satu's apartheid branches and Tuseca's policies do not appeal to the workers;
3. Satu's so-called benefits are difficult to obtain and largely illusory;
4. workers want a union not a benefit society.

The statement adds that the workers complained that Satu did not appear to be representing its members by means of mandates and feedbacks, but was management orientated.

The workers also feel that they cannot accept and respect a union which forces them to belong to it when there is a freedom of association clause in the Labour Relations Act.

Interviewed workers said that they were now going to feel secure because they will be represented by a union of their own choice and not the one previously imposed on them by management.
Cheap imports hit SA's stationery manufacturers

By Stuart Fliton

South African stationery manufacturers claim they have lost millions of rands because local schoolchildren are buying Zimbabwean exercise books made from cheap imported paper. A spokesman for one manufacturer said Shield Buying and Marketing (Pty) Ltd had ordered books to the value of R1.5 million from the Zimbabwe manufacturers, Art Mail and Marvo.

The spokesman said local stationery manufacturers were not given import permits by the Department of Industries, Commerce and Tourism and were unable to import the cheap paper which was available to Zimbabwe.

"Some of the Zimbabwean books come through Botswana, thus avoiding the strict Customs control at Beit Bridge," the spokesman said.

"This trade has been going on since 1972 but has increased since Zimbabwe's independence."

A spokesman for another local stationery manufacturer said that, since independence, cheap paper had been supplied to Zimbabwe as aid from Sweden.

"Their selling price is the same as our cost price. It makes us look ridiculous," the spokesman said.

A spokesman for Shield Buying and Marketing, of Johannesburg, was unimpressed when told that local manufacturers were upset.

"If Zimbabwean prices are lower than those of local manufacturers, surely there must be something wrong with the local trade," he said.

"Local manufacturers can beat the Zimbabwe prices. The problem is that some of them collude on prices."

He denied that books came through Botswana and said he did not know the origin of the paper.
REINALD HOFMEYR
Barlow Rand and Fosatu

In its 1983 annual report, Barlow Rand questioned certain objectives of the Federation of SA Trade Unions (Fosatu) and expressed concern about some of its affiliates’ strategies. The FM spoke to Barlow Rand Group Industrial Relations Director Reinald Hofmeyr about these and other labour issues.

FM: The Barlows annual report cites the need for a modus vivendi to be found with some Fosatu unions. Will it be possible to find a modus vivendi with them during the coming year?
Hofmeyr: I think the year ahead is going to be an extremely difficult one. Perhaps at this point I should say that where the press is talking about a change of stance on the part of Barlows or a hardening of attitudes, that is not really the way we see it.

The great cause for concern in our minds is the fact that there definitely has been a deterioration of relationships between some of our companies and some of the Fosatu unions. And here we find ourselves in a bit of a catch-22 situation in that we were one of the very first major companies to try publically that we respected the right of our employees to decide by whom they should be represented. We agreed to negotiate with unions regardless of whether they were registered or unregistered, and regardless of whether they were parties to industrial council agreements or not.

This drew a great deal of sharp criticism from some employers and employer organisations on the basis, as they put it, that we were “letting the side down.” We are unrepentant. We still believe it is the best line to follow, and I think we have shown our good faith by the very large number of recognition agreements we have concluded.

Yet it is from these very unions that we have recognised — against the advice of other employers — that we now face this increasing hostility.

The last thing we want is confrontation, but we are really facing some extremely grave difficulties in our relations, particularly with the Metal and Allied Workers’ Union and the Paper, Wood and Allied Workers’ Union. We are having to adjust with loss of production due to wildcat strikes, bans on overtime, violence against non-strikers in one instance, attacks on our chairman and snide remarks about our code of employment practices — a code which we take very seriously.

I think we will have to come to some sort of accommodation with the unions in this regard if a modus vivendi is to be found. I don’t think we can continue to tolerate some of the methods that are being used.

Would it be correct to say that much of the breakdown in relationships is being caused by an apparent drive by some unions towards greater worker and union participation in decision-making?

Yes. Dealing with Fosatu for the moment, this greater participation in decision-making is entirely in line with their long-term objectives as we see them, and as they were spelt out in (Fosatu general secretary) Joe Foster’s policy statement at the Fosatu congress.

We believe that capitalism, despite whatever faults it may have, is still the best recipe for socially needed economic growth. We have great difficulty in accepting the signing away of what we perceive as management’s obligation to take certain decisions in the interests of the people who provide risk capital and enable us to survive and grow.

So while we are prepared to negotiate on any matter relating to the contract of employment, we have been unwilling to enter into recognition agreements where we or our companies are called upon to negotiate on any matter of “common interest,” which obviously would include matters as wide-ranging as site your plants and what production methods you use. And this, I think, is possibly a cause of frustration and annoyance on the part of some unions.

Are there not some issues where such union participation can be useful — for example, productivity, retrenchment and safety?

Yes. Retrenchment is, of course, a very difficult issue. But while we would not negotiate on whether retrenchment is necessary, we would certainly be happy to negotiate on possible alternatives to retrenchment. In fact, unions have been very helpful with their suggestions on some occasions. There can also be negotiations over the criteria to be used to determine who should be retrenched. Compensation for retrenchment is a very fair issue for negotiation as well. Slew progress is being made in talks between the Chamber of Mines and white-led mining unions over the phasing out of discriminatory practices. Do you think an agreement can be achieved in 1984 on, for example, allowing black workers to hold blasting certificates?

I am not optimistic because there has been no softening, to my knowledge, of the attitude of the Mineworkers’ Union. I think sooner or later government will simply have to do what it gave notice of doing — and that is in the absence of some agreement, to intervene. The restriction of blasting certificates to certain race groups is unacceptable.

Some Barlows companies have faced intra-union rivalry during the past year. What approach should management adopt towards such a problem?

I think we have been very clear about this ever since we issued guidelines to our managers as far back as 1980. We believe management should remain completely aloof in this situation. We think it is unfair and fatal for any management to explicitly or implicitly show any preference for any particular union.

Rivalry is something we are simply going to have to live with, and I think that where it exists, sooner or later one party will emerge as the party by which employees wish to be represented. I think it is significant although our packaging companies have received scant credit for it from the unions — that we have in fact managed to get exemptions from the closed shop agreement in the printing and packaging industry in four cases where the majority of people in the plants concerned clearly demonstrated that they wished to be represented by the Wood and Allied Workers’ Union, and not by the SA Typographical Union.

What should be done to improve the functioning of the Industrial Court?

There are two elements here. The first is that it is very necessary that the concept of the unfair labour practice should be more closely defined in legislation. The second, and equally important thing, relates not so much to the functioning of the court, but to the legislation in terms of which it has to operate. If one takes a look at that legislation in, I would say 89 cases out of 100 that come before it for a status quo order, the court really has no alternative but to grant the order on the basis of balance of convenience. So I would regard it as very necessary that that legislation should become more circumscribed.
BUSINESS BRIEFS

The Star's Foreign News Service

PARIS — Peugeot, France's financially troubled private car company, expects to report group losses of more than the R15 million this year and to see its debts increase, largely as a result of the three-week strike at the group's Talbot plant at Poissy, near Paris.

NEW YORK — Pennzoil, a mediumsized oil company, is to spend up to R1.9 billion in an attempt to buy a stake of up to 20 percent in Getty Oil, the 14th biggest US oil company.

LONDON — Britain's biggest car export contract, the supply of car kits worth R262 million a year by Talbot UK to Iran — seems secure for 1984. Talbot says the Iranians have asked for 120,000 kits to be shipped next year.

NEW YORK — American Telephone and Telegraph is to acquire for $260 million 25 percent of Olivetti, Europe's leading data processing equipment company.

The aim is to form an "industrial, commercial and financial alliance" that will involve joint product development, distribution and technological co-operation.

AT & T has agreed to buy $250 million of Olivetti products during the initial 12-month period that will commence in mid-1984.

LONDON — A modest recovery is forecast by Rolls-Royce Motors in its car operations next year, after one of the most turbulent periods in the company's history. Rolls-Royce is looking for world sales next year of about 2,400 cars.

NEW YORK — Eastman Kodak, the world's biggest photographic products group, plans to enter the fast-growing US home video camera market with the help of Matsushita, one of the Japanese groups which dominates the market.

By Peter Farley

Kohler is to pay parent Gencor an effective R20.8 million for plastics packaging specialist Xactics, to be funded almost entirely with convertible and redeemable preference shares.

The details of the final stage in the change of ownership of Xactics also offers Kohler minority shareholders the chance to raise their stake in the company.

But the fact that Gencor is generously offering this suggests the parent company is not overly keen on increasing its stake in the packaging group from the current 68 percent.

The deal comprises the acquisition by Kohler of Gencor of Cortices, which owns 67 percent of Xactics and the 35 percent of Xactics Gencor holds directly.

But less than R200,000 will be paid to Gencor in cash at this stage. The share issues account for the balance. Kohler is issuing to Gencor a package of 173,000 linked units at R119 each — total R22.58 million.

Kohler will have to repay an interest-free loan from Gencor of R2.4 million at end-1987.

Each linked unit comprises nine automatically convertible preference shares of 5c each and five redeemable convertible prefs of 5c. The terms of the two prefs are an issue price of 85c, an annual 85c dividend and conversion into a Kohler ordinary at 85c or redemption at 85c.

The automatically convertible shares will be converted half on January 1, 1986 and the rest a year later. Kohler will have the right to convert the redeemable shares in the same way.

Gencor apparently seeks to offset some cash already laid out on the Xactics purchase and is making available 32 percent of its linked units to existing Kohler shareholders on the basis of two for every 100 Kohler ordinary shares held at the same R119 per unit.

Minorities have until the special general meeting on January 20 to decide on whether to take up the offer. Given the current sluggish growth prospects offered by Kohler and the slight premium of the conversion price over the current 85c it is unlikely many will accept.

In the offer document Kohler says if the Xactics acquisition had been in force since last January, 1, it would have reduced earnings by around 4.5c per share and pushed net worth down by 10c, or 14 percent.

Hardly the kind of performance to inject much life into Kohler, bogged down by the recent purchase of DRG the flexible packaging division of Wiggins Teape.

Kohler to pay Gencor R20-m for Xactics

New company will service power stations

Sandon office rents could rise by 30%

By Frank Jeans

Office rents in Sandon, still the centre of sustained commercial build-up, are expected to move ahead by more than 30 percent over the next 18 months.

With very little space available to let and no new building projects coming on to the market before 1985, rents which now average R14 a sq m will increase to between R18 and R20, predicts Mr Kevin Jordan of Divaris Real Estate.

"Demand for industrial property in the Sandon City extensions — which is probably more than 70 percent let now and the Unilever building in Pybus Road, there is no large space left to let," says Mr Jordan.

"Demand for industrial property in the Sandon City extensions is probably more than 70 percent let now and the Unilever building in Pybus Road, there is no large space left to let," says Mr Jordan.

Financial Staff

A joint venture service company specialising in power-station maintenance has been formed by International Combustion Africa (ICAL) and a US manufacturer of power generation equipment, Combustion Engineering Inc (C-E).

The new company, Combustion Services Africa, will provide services for the maintenance of fossil-fired steam generating equipment, gas generating equipment, steam turbines and electric utilities in Southern Africa, including Eskom and the Electricity Supply Commission in Zimbabwe.

Last year Eskom, which generated more than 50 percent of the electricity used in South
MANUFACTURING — PAPER AND PRODUCTS

1984 — 1985
Hortors’ Trio Rand MD hits at paper tariffs

Finance Reporter

STRONG criticism of paper tariffs and of the Government’s additional 15 percent tariff protection on coated paper motivated by Sappi, and a warning that its implementation is inflationary, were made by Mr Michael Watermeyer, managing director of Hortors Trio Rand.

Mr Watermeyer said his group, which uses more than 21 000 tons of all grades of paper a year, was distressed at the consequences of the protective tariff which embraces almost all kinds of coated paper including many grades of paper not even made here.

Local manufacturers should be striving to reduce costs through productivity and Mr Watermeyer urged the Government to reconsider protective tariffs which lessens this urgency.

Grades

"It is unfair and certainly not in the interests of the economy to expect the printing industry to be responsible for the huge investments the local mills have made to produce the various grades of paper which are widely available from overseas," said Mr Watermeyer.

"Paper comprises more than 40 percent of book printing costs. Our group believes any escalation of paper duties will be followed by local paper price increases as manufacturers float their prices up behind the protective shield of duties with no fear of international competition.

"Increases are further compounded by the time retailers margins and GST are added, causing further price hikes and yet further pressure on the man in the street," said Mr Watermeyer.

In 1994 the printing industry reeled under two substantial paper price increases. Some grades of paper were increased by as much as 20 percent — an inflationary factor that led publishers to print in the Far East.

Demand

"The ordinary economic forces of supply and demand do not operate in a protected environment," said Mr Watermeyer.

"Whereas on the international market a drop in demand tends to reduce prices, in the South African market a drop in demand appears to encourage the mills to seek protection and higher prices in order to maintain profitability.

"And who can blame them? The printing industry would also seek protection if it believed that this would be forthcoming.

"But it does not help John Citizen who spends a fair portion of his income on print and packaging," said Mr Watermeyer.

Calling for a concerted national effort to slow the inflation rate, Mr Watermeyer questioned whether Sappi or Mondi needs tariff protection.

"The huge mills were built to manufacture far larger quantities of paper than the local printing industry could ever absorb. Now that they have highly favourable conditions and incentives for export, why do they not concentrate on export, which is where their profits lie. These large mills are now trying to cover their disproportionate investments by cornering the local market on their own terms?" he asked.

"We will always be forced to import, because Sappi is unable to provide us with small tonnages as it is not financially viable for their manufacturing operations.

Tonnages

"We in turn require small tonnages because print runs of books and catalogues are usually substantially shorter than in other more densely populated, highly-developed countries.

"This artificially created environment results in increased costs which have to be met eventually by the consumer."

Hard on the heels of Sappi’s successful application for protection on coated grades, looms a possible 15 percent protective tariff on uncoated grades, initiated by Mondi.

Should this application be successful, the local paper mills could monopolise the supply of paper to all South African printers.

According to an authoritative evaluation of the 1983 results of the top 100 paper mills worldwide, carried out by Pulp and Paper International, the relative earnings of Sappi and Mondi are among the highest in the world.

Printing

"What the printing industry would like to know is how productive are Sappi and Mondi. It is well known that a protective situation does not encourage productivity, and poor productivity increases inflation.

"So that their tariff protections could be promoting inflationary factors within their own companies, inflation has to be fought by the private sector and Government hand in hand."

"Anything which protects inefficiency cannot be tolerated if we are serious about bringing inflation under control," he said.
R4m takeover by Kohler

Own Correspondent

PORT ELIZABETH. — One of South Africa's largest print and packaging concerns, the Kohler Group, is taking over the Port Elizabeth-based Acme group for more than R4m.

This was announced by Mr Derrick Minnie, the operations director, paper division of Kohler, and Mr Stuart Macdonald, the managing director of the Acme group.

The Kohler group has confidence in the Port Elizabeth area and has decided to take over Acme because it is "a progressive go-ahead company with modern equipment," says Mr Minnie.

Kohler Bumley's, the Kohler group's Port Elizabeth printing operation, will not be affected by the deal.

The 'Kohler' group, which has 35 manufacturing plants throughout South Africa and supplies virtually all sectors of the economy, has a decentralised management structure and regards packaging as a localised business.

The Acme staff will not be affected by the takeover and the company will be fully autonomous.

Mr Macdonald says it is becoming increasingly difficult for family businesses to expand and the takeover will provide a means of doing this.

"We now have access to all Kohler technology and feel this will be of benefit not only to us but to the Port Elizabeth area as a whole. Before we were limited in what we could tackle."

Mr Macdonald says Acme — which is to be incorporated as Acme Print & Pack — has always had faith in the Port Elizabeth market.
Government moves to protect SA paper manufacturers from imports are sitting heavily with the printing industry.

A 15% tariff on coated paper motivated by Sappi is already biting. Crying "fool" the loudest is Hortons Trio Rand MD Michael Watermeyer, who notes that Mondi is seeking similar protection for uncoated paper.

He sees no justification for either, and maintains that manufacturers are exhibiting considerable ignorance of market principles.

Sappi Fine Paper MD Ken Lechromure-Oertel says the need for the tariff was accepted long ago by the Board of Trade (BoT), but it has taken until now to get it off the ground.

The need, he says, stems from the fact that competitors elsewhere in the world enjoy subsidies and tariff protection, and it is vital the local industry remains strong to finance vast capital expenditure on new mills required by a burgeoning market.

Additionally, it takes so long for an application to be granted that circumstances can change drastically before it becomes effective. The paper makers maintain that although a weak rand has stopped imports now, it is wise to have the tariff in the wings.

Protection does take time. In the case of coated papers it was sought four years ago and two years passed before some protection was granted. By then the reference price on which it was granted was already out of date. Sappi then asked the BoT to scrap the floor price, but reduce the tariff level from 20% to 15%. That took another two years and when the tariff did come out it was so loosely worded that everyone got around it.

Mondi sources, confirming they have applied for 15% tariff protection on uncoated papers, also say it could be some time before they hear anything.

Nothing to hide

Neither Sappi nor Mondi is prepared to respond in detail to Watermeyer's queries on their productivity and profitability, but both say they have nothing to hide.

Watermeyer says he's concerned that the mills are not determining prices by normal supply and demand forces that apply elsewhere. "A recession internationally means a drop in prices, here they never fall, and even go up in a slump."

Watermeyer is convinced that the paper manufacturers' control — Unicorp has Sappi and Mondi is in the Anglo American stable — are behind the problem.

"The big mining groups don't know anything about marketing the product. They decide the return on capital they require, and having established the bottom line, move upwards."

He also maintains the mills don't compete with each other and that they are arrogant in their approach to customers, simply sending off notes advising almost immediate price increases that could make a difference to contracts already negotiated by the printers.

He says local manufacturers would have to expect doubled production in the next 10 years to justify intended spending on new plant.

Finally, he reckons the profit performance of the paper mills during the past four years — when the 15% tariff protection was stalled — is evidence enough that it wasn't, and isn't needed.
SA's Department of Foreign Affairs (DFA) is desperate to plug the holes of support for the Mozambique National Resistance (MNR) and save the Nkomati Accord from collapse. The latest moves include a visit by Foreign Minister Pik Botha to the Islamic Republic of Comores from whose soil the MNR has received substantial support since the signing of the accord in March last year.

The FM understands that Botha — whose determination that Nkomati succeeds borders on the obsessive, according to his colleagues — is about to launch a new initiative to stop the civil war in Mozambique. However, the FM was assured that use of SA troops to crush the MNR is not under consideration.

There are also unconfirmed reports that the Security Police have been ordered to look into the activities of certain expatriate Portuguese-speaking businessmen in Johannesburg (the so-called retornados) who are known to have close links with the MNR.

Botha has also had talks with the old friend of the SA government, Bavarian PM Franz-Josef Strauss, whose Christian Social Union has been active in its support for the MNR and the Angolan rebel movement Unita, and with representatives from the governments of Portugal and Malawi. According to the Mozambique government, elements in these two countries support the MNR.

According to the FM’s information, Botha met with Comores president Ahmed Abdallah and French mercenary leader Bob Denard during his secret trip to East Africa, which also took him to Somalia. It is understood that Abdallah denied any involvement on his government's side. It is not clear what Denard’s role is in the affair.

The new urgency in isolating the MNR came after a tough speech in December last year by Mozambique president Samora Machel at Manhica, saying that Nkomati is failing because the MNR still gets support from SA and other countries.

Botha immediately asked for the text of Machel's speech and had urgent discussions with Mozambique representatives. He then declared that Machel was not referring to the SA government, but to external support launched from SA soil and from the soil of other states. "These allegations will be investigated urgently," Botha said.

Last week Machel met with the ambassadors of the permanent members of the UN Security Council to tell them of the strains on Nkomati and the continued support for the MNR.

After Nkomati, the Comores, the island group off the Mozambique north coast, became the main support base for the MNR (Current Affairs, November 30). According to intelligence sources, supplies from Saudi Arabia and Oman are flown from the Comores to secret airstrips in northern Mozambique and the south of Tanzania and Malawi.

Meanwhile, there are no signs that the civil war in Mozambique is abating. This week MNR terrorists sabotaged the power lines near the SA border and blacked out Maputo for more than a day. It is the fifth time since October that the lines have been sabotaged. The MNR claims to have killed or captured more than 150 soldiers, including five Cubans, and destroyed 101 military vehicles since January 1.

In another important development that could speed up the peace process, the Reagan administration has prepared, in the words of State Department spokesman Robert Bruce, "to seek to develop a limited military assistance relationship with Mozambique." Subject to congressional approval, the US would provide "non-lethal" equipment, which is understood to include training and equipment other than weapons.

**PAPER INDUSTRY WAGES**

Negotiations for the 1985 wage increases in the paper industry have highlighted difficulties which can arise for both employers and trade unions in bargaining at industrial councils.

The negotiations at the Industrial Council for the Pulp and Paper Manufacturing Industry have revealed deep-rooted differences between the Paper, Wood and Allied Workers' Union (PFWWU) and employers. Sharp discrepancies in employer approaches as well as serious inter-union conflicts have also emerged.

The heart of the problem is whether the industrial council, as presently constituted, is a suitable negotiating forum for the industry. The council has five union parties. Deadlock in the negotiations was reached in November last year when an employer offer of a minimum increase of 18c/hour was rejected. The employers and the unions have now decided to bypass the council as a wage negotiating forum and are engaged in decentralised bargaining.

This is an entirely new exercise for the industry's giants — Sappi and Mondi — although Carlton Paper and Nampak previously agreed to plant level negotiations with the Federation of SA Trade Unions-affiliated PFWWU. There is rich irony in the fact that PFWWU only joined the council last year after Sappi and Mondi had refused to accede to its demands for plant level bargaining.

Sappi, Nampak and Carlton are negotiating on a plant-by-plant basis while Mondi is handling negotiations for its respective
ONE SMALL DISTILLERY, in Lynchburg, Tennessee, still has the time to make the world's smoothest whiskey: Jack Daniel's. We take special care to filter our whiskey through ten solid feet of charcoal before it is barreled to age. The reason: to keep unchained the smooth, smooth flavour that has won six awards of excellence in competitions throughout the world. When you first taste Jack Daniel's, we predict, you predict a pleasing moment that will last for life.

JACK DANIELS: THE TASTE OF TENNESSEE

The Tennessee Distillers Association
councils should operate according to consensus, and that if one union has 90% of delegates and refused to operate this way "there would not be much point in others being there."

In all likelihood, paper industry employers and unions will eventually reach some sort of accord for the 1985 wage increase. But the problems which have surfaced this year are not going to disappear and will have to be faced in the future. The paper industrial council, like a number of others which have admitted emerging unions, is going to have to come up with a creative solution.
and the various employer parties to the industrial council for the pulp and paper manufacturing industry have so far produced a mixed bag.

The negotiations were entered into only after deadlock was reached in November in the industrial council negotiations — the first in which PWAWU had participated, after holding out for plant-level bargaining.

Last week the union settled with Mondi Board Mills on January increases — a minimum of between 20c and 25c and hour on the lowest scale, compared to the 18c offered at the industrial council — but is still discussing July increases.

Negotiations with Carlton Paper have been concluded, while those with Nampak Paper and Mondi Paper are continuing, with the companies offering increases better than those offered at the industrial council.

However, negotiations with the other giant in the industry, Sappi, are not proceeding well and there is the possibility of a dispute with the union.

The company is offering the union increases below those offered at the industrial council while is understood to have agreed on increases at two non-PWAWU mills above the council levels.
Paper firms slated on staff cuts

By PHILIP VAN NIEKERK

FOLLOWING large scale retrenchments in the paper and pulp industry, Fosatia’s Paper, Wood and Allied Workers’ Union (PWA/WU) has condemned the “socially irresponsible” attitudes adopted by many employers.

In a statement PWA/WU said that by putting their profits before the interests of their employees and the country, the employers were giving themselves a bad name.

Four companies mentioned in the statement were Carlton Paper (Wadeville), Nampak Sacks (Industria), Golden Era and Printpak (Industria).

The statement said Carlton Paper had moved machinery to a non-unionised plant in Springs, leading to the retrenchment of 88 workers but creating no new jobs at Springs.

Nampak Sacks had given the union notice that it planned to make the entire workforce of 120 redundant on February 25.

Golden Era had moved its entire plant to the “low-wage, non-union” area of Bophuthatswana, making 120 workers redundant without any redundancy pay. The union had taken this up in court and had reached an out-of-court settlement.

Printpak had retrenched 41 workers in November last year without proper notice and, in an out-of-court settlement, had agreed to pay additional notice and re-employ contract workers, the statement said.

A spokesman for Nampak Sacks denied they had acted socially irresponsibly and said they had been talking to the union for a long time about the particular difficulties of that operation.

“We have kept at least 50 employees for at least two months and hopefully a large number will be kept on thereafter.”

A spokesman for Printpak said the “out-of-court” settlement had followed industrial council mediation in the dispute and was a compromise solution agreed on with the union.
360 jobs in balance

The future of more than 360 black employees in the paper industry around the Witwatersrand hangs in the balance following the announcement that they will be retrenched as the country's economy worsens.

The companies that have announced possible retrenchments are: Carlton Paper (88 workers in Wadeville); Nampak Sacks (120 in Industria); Golden Era (120 in Amalgam) and Printpak (41 in Industria).

The main reason for retrenchments, mainly from the black members of the Paper, Wood and Allied Workers Union (PWAWU), has been attributed to the biting recession, inflation and the soaring cost of production.

The PWAWU has condemned the socially "irresponsible attitude" being adopted by some employers in the current difficult economic climate. The economy was not only hitting them but hurt the workers more, the union said.

The union's spokesman said because of the spiralling unemployment facing the country, many companies were moving to so-called homelands where they exploit frustrated workers.
Packaging costs to spiral

By Peter Farley
Investment Editor

Transvaal packaging customers are heading for a series of substantial price increases following the purchase of independent Marathon by Anglovaal-controlled Consol.

And while profit margins at the three majors — Nampak, Kohler and Consol — have been severely eroded in the past couple of years, some R25 million could now be added to their combined operating profits this year.

The price of corrugated packaging has drifted steadily down over the past 10 months, from a peak of nearly R1 500 a tonne in the first half of last year to between R1 100 and R1 200 at present.

This is despite a near 10 percent paper price increase last October and an inflation rate currently well in excess of 13 percent.

A recovery of these costs now appears inevitable. But customers also seem set for a “double-whammy” with another major paper price increase scheduled for April that is, this time, almost certain to be passed straight on in increased packaging prices.

Throughout the country corrugated packaging prices have been held down in the areas where the independents sprang up — notably Durban, the Eastern Cape and around Cape Town — only to be sharply marked-up once the independents either folded or succumbed to overtures from one of the majors.

The Transvaal corrugated market is estimated to be around 150 000 tonnes a year, with Nampak holding a dominant 40-plus percent, Kohler a little over 30 percent and now Consol with slightly more than 20 percent.

Marathon survived, despite intense pressure and competition from the majors, for a little over a year. And despite remonstrations to the contrary was beginning to achieve the volumes necessary for a bottom-line profit.

MD Mr Tony Crosby says that output was on target for just over 1 100 tonnes in February, with orders on hand suggesting almost 1 500 tonnes in March.

And he points out that though this was not a substantial market share, their lower overheads meant that they were able to sharply undercut the majors’ pricing structures.

This is evidenced, he said, by the fact that Consol increased the offer to Marathon’s parent SA Bias twice, before it was finally accepted. And he pointed out that this bidding was done completely blind, as Consol executives did not visit the operation until after a price had been accepted.

Hardly the sort of haling-out operation suggested by Consol management.

In the end the price of R10 million — which though it restrains SA Bias for five years only precludes Mr Crosby for two years — is an expensive way of increasing market share.

But it is an extremely cheap means of vastly enhancing overall margins.
Caxton gets control of Hortors Trio Rand

By Peter Farley

Caxton has bought control of printing group Hortors Trio Rand by means of a reverse takeover.

Following the announcement of rationalisation talks in mid-January, announcements today from the two companies show that Hortors is issuing 11,7 million new shares to Caxton at R50c each, in exchange for the entire assets of Caxton.

This values Caxton at some R41 million.

But while the deal will reduce Hortorio's earnings to 40,7c a share from 53,2c, it will push Caxton's estimated earnings for the year to next February 28 up to 639c a share from 538c.

It will also push Caxton's net worth up to 2 417c a share from 1 498c. This compares with a share price of 3 000c, which has steadily appreciated from the 2 460c prevailing at the time of the publication of the results for the year to end-August last October.

Previously Hortors held 51 percent in Hortorio, but with the issue of the new shares Caxton now has 65 percent and Hortors 18 percent.

More significantly, it will greatly enhance the earnings flow through to major minority shareholder Argus. Prior to the restructuring Argus held 49 percent of Caxton and 51 percent of Hortors.

This meant that it only had an effective 25,5 percent stake in Hortorio's operating arm Hortorio. This stake now comes up to 32,5 percent. Its shareholding in Caxton remains unchanged at 49 percent.

But the move appears to be part of much wider streamlining plans within the Argus group. For the first time Argus recently appointed an MD of its newspaper division and created a joint marketing division in conjunction with Caxton.

The former post is taken by ex-general manager Mr Peter McLean and the latter headed by joint Caxton MD Mr Noel Coburn.

The other Caxton MD Mr Terry Moolman now effectively takes charge of Argus group's printing, packaging, regional newspapers and magazine operations.

It is unlikely, however, that Argus will get control of Caxton in the foreseeable future.

But, further down the line, it would not be inconceivable for Caxton to be used as the vehicle for a takeover bid for SA Associated Newspapers.

The way Argus has now structured its operations, SAAN's weekly publications would fit neatly into Caxton/Hortorio and the dailies into Mr McLean's division.
Debt burden pushes project's cost up by R0,5bn

Ngodwana mill erodes Sappi financial base

By ELIZABETH ROUSE

SAPPi is looking for alternative means of propping up its financial base, which has been seriously eroded by its ambitious Ngodwana project.

The final cost is R1,5bn, compared with the 1989 estimate of just over R1bn because interest charges and finance costs have risen to unacceptably high levels.

However, 1989's dividend prospects do not look good. The chairman, Mr Basil Landau, expects that, although first-half profits will be down, the group should pull up in the second half and that year-end results will not be "materially below those of the previous year".

He says in the annual review the company is examining, together with its controlling shareholder (Gencor) and its advisers, alternative means of replacing short- and long-term debt to reduce the interest burden. Details are to be announced soon.

Sappi's debt/equity ratio shot up to 1.6 in the year to December 1984 (already high at 1.1 in 1983).

Costs of the project were pushed up by escalating interest rates, foreign exchange variations, sales tax and commissioning costs — all funded by debt and redeemable preference shares.

An estimated R2.5bn in direct and indirect operating costs of R10,3bn. Interest-bearing debt shot up to R1,5bn from R880m in 1983.

Net finance costs, including interest and preference dividends (pref payments totalled R20,6m in 1984), increased by 113.1% to R69,4m, of which R7,6m was capitalised.

Mr Landau says many of Sappi's woes stem from reversals in the Income Tax Act, which makes it difficult for industrialists to commit themselves to major investment projects in which tax concessions are a significant feature of feasibility studies.

Changes in the Income Tax Act introduced in March 1984, affect leasing transactions and the use of "rashoring", as they affect projects under construction. This means it has not been possible to make use of lessor trust schemes since March 1984.

Together with the deferral of one-third of the investment allowances and changes in the system of provisional tax payments, this will increase annual finance charges by at least R15m more than originally planned.

An earlier change in the Act in 1981, ruled that if use was made of lessor trust schemes sales tax had to be paid on the total cost of the project, and not on the cost of components.

This, together with a higher sales tax rate, increased the sales tax bill to R20m, compared with a planned R15m. Because of the retroresto-
Mondi exports pulp

BY DAVID PURLOUGER

Mondi has begun producing pulp for export at its R323m Richards Bay pulp and board mill.

Exports are already being shipped from Durban. Once facilities are complete, they will leave directly from Richards Bay.

Mondi's executive chairman, Mr Reg Donner, expects the group to earn more than R200m in foreign exchange in 1986 through import substitution and export earnings.

"The Richards Bay mill, commissioned in October, is already supplying pulp to the group's Morebank paper mill near Durban, which manufactures up to 500 000 tons of newsprint and woodfree paper a year.

"Until now, about 140 000 tons of pulp has been imported annually from Canada, the US, Portugal and South America."

The Richards Bay mill is expected to reach 70% of its annual capacity of 450 000 tons of pulp by the end of this year, and will consume about 5 000 tons of timber a day."
Waltons profits embossed with 22% higher div

By PAUL DOLD
Financial Editor

WALTONS the country's largest commercial stationers shrugged off the recession in the past 12 months raising operating profits by 46 percent on an 18 percent sales rise and the dividend is being hiked 22 percent.

Results at the post-tax stage are distorted by last year's tax allowances. Taxation has nearly doubled from R2.7m to R6.2m but net income nevertheless grew by 15 percent and earnings per share were 12 percent up at 59.32c (51.65c).

In line with the conservative dividend policy, the 50c total (an interim of 6c and a final of 14c) is covered nearly three times.

Feature

A significant feature of the holding company profits is that Walhold's dividend is now precisely double Waltons' which should lead to an eventual even out of the share prices of the two companies.

Walhold has tended to stand at a discount in relation to the operating company. It has a 50.7 percent stake in Waltons.

Waltons' attributable profit was R1 255 020 as against R658 459 with the total being distributed to shareholders.

The latest figures do not include any contribution from the newly formed Australian stationery interests.

Export demand

The group has now bought a second Sydney company and the managing director, Mr Frank Robarts, believes that significant export demand will flow in the longer term.

The first two containerized stationery manufactured by the Waltons manufacturing division recently left South Africa.

Waltons is seeking further investment opportunities in Australia but Mr Robarts says the group will not run the risk of over-extending itself through too rapid foreign expansion.

Although the toy arm, Redwoods, increased trading profits in the year — which is a fair achievement given the fall in consumer spending — it had a forex loss.

Mr Robarts has faith in Redwoods' management and says the toy chain has considerable potential. Waltons' capital stake in the toy company is relatively small at R300 600.

The manufacturing division increased profits in spite of the rise in interest rates and is well poised to back up Waltons' expansion as well as supplying leading chain stores.

Expansion

Waltons currently has more than 53 stationery stores and apart from the ongoing expansion of its branches is poised to expand into related areas.

Mr Robarts hints that the initial entry into the computer stationery field has been highly successful and its a fair guess that the group intends expanding this base in the short term.

Comment: The shares remain an outstanding investment and the group has excellent prospects.

I understand that Sandlam is the latest institution to take a stake in the group — the Anglo American pension funds already have a major slice of the equity.

The ability of management to increase profits at a far more rapid rate than turnover suggests the group is remaining lean and hungry for growth.
'Kei venture for Sappi

SAPPI is expected to start work soon on a R30m particle board plant in the Transkei.

Mr Ian Forbes, managing director of Sappi Timber Industries, said yesterday that a study had "virtually concluded" such a factory was feasible.

The factory, which will produce particle board for the furniture industry, will operate as a Sappi subsidiary. Sappi's likely partner in the venture will be the Transkei Development Corporation.

Mr Forbes said officials were still working out final details of the venture with Transkeian officials. He described tax and other benefits offered by the Transkei Government as "the standard package under its decentralisation benefits".

Industry sources say timber is considered a key industry in the Transkei. Earlier this year, the Merensky Forest Products organisation announced a phased-in R30m expansion to its Langeni sawmills there.

Mr Forbes would not give details of the likely output of the proposed particle board factory.

"It's not the kind of information we like to give out," he said.

However, he said, Sappi's three particle board factories in South Africa were working almost at full capacity and insisted there was room for the new factory.

He added that although the furniture industry was economically depressed, it was expected to recover by the time the factory began production.

"It can take two years from start to marketing," he said.

"Although the industry is in difficulties at the moment, we would expect to see considerable recovery before any new factory reaches the production stage," he said.
The picture shows the drive at the bottom of the oxygen reactor, which is part of the Sapoxal bleaching process developed by Sappi and used at Ngodwana.

Japanese to use Sappi know-how

It is not often that South Africa can teach the Japanese anything about technology, but that is just what has happened. In the past two months Sappi, which recently commissioned its vast new pulp and paper mill at Ngodwana in the Eastern Transvaal, has sold three licences for the technology used in that mill to Japanese pulp and paper companies.

Taisei Paper, one of Japan's large and fastest growing companies, bought its first licence in September 1983.

Bleaching

When the Japanese mill recently decided to convert an old batch pulp mill to continuous process and displacement bleaching, both of which systems are used at Ngodwana, it chose the Sappi developed Sapoxal oxygen bleaching technology to go with the upgrade.

Oji Paper has also bought oxygen bleaching for the bleached stage of its Tomakomai mill, and last month Chuelsu Pulp placed an order for an oxygen bleaching plant, again incorporating Sappi technology.

Problems

Oxygen bleaching was first developed in South Africa in 1970 to resolve the effluent problems at Sappi's Enstra mill. The equipment has been refined since that date by the manufacturers, Kamyr, and the process improved.
Unionist wanted 'to face reality'

By NKOPANE MAKOBANE

A TRADE unionist convicted of high treason would at this point still have kept quiet about concealing two AK-47 automatic rifles of an African National Congress member, had one of his co-accused, a self-confessed ANC member, not been arrested by the police, a court heard yesterday.

Zane Mvula Mapela (25), a member of the Paper, Wood and Allied Workers Union who originally comes from Mdantsane in the Ciskei, was testifying in the trial in which he was this week found guilty in the Rand Supreme Court with two other men.

They are Marines Jabu Ngobese (21), a self-confessed ANC member, and Mertiman Xolani Nduna (24) of Daveyton, Benoni, who is a member of the Chemical Workers Industrial Union. They appear before Mr Justic Le Grange.

Hide

Mapela has admitted in court that he agreed to take care and hide two AK-47 rifles at the request of a certain Maxwell, an ANC member, and also helping Nduna to remove and rebury weapons, ammunition and explosives in the front yard of his (Nduna's) Daveyton home.

Questioned by Advocate J A Swanepoel, for the State, Mapela said when he agreed to hide the rifles for Maxwell, he was aware he was committing an offence but did not realise it was treason. He also said although he did not know clearly, he assumed that Maxwell and Ngobese did not possess their arms for legal purposes but for sabotage.

Earlier questioned by his defence counsel, Mr D Kuny, SC, he told the court that after Maxwell had taken him to a bush and showed him an AK-47, he had been frightened and started sweating. He said he had thought about himself and what it meant for Maxwell to show him the rifle.

He denied that he was ever a member of the ANC or participated in its activities prior. He told the court that he pleaded guilty to the charge because "there comes a time in a lifetime of a man when there is no alternative but face reality and speak the truth".

(Proceeding).
Sappi details R200m refinancing plan

JOHANNESBURG. — Sappi Ltd has announced that it is raising approximately R200m by way of a rights issue to reduce its interest burden and improve its debt:equity ratio the chairman, Mr Basil Landau, said at the company’s annual meeting here yesterday.

He said that the refinancing will consist of an offer of 12 percent preferred ordinary shares of R1 each. The shares will be issued at a price of R10.50 in the ratio of one preferred ordinary share for every two existing ordinary shares and one preferred ordinary share for every five existing participating preference shares.

The prefs will earn a fixed annual dividend of 125c a share and will be converted to ordinary shares once the dividend on the existing ordinary shares equals that on the new prefs.

Mr Landau said that Sappi’s projections indicate that, even after the conversion of the new equity, shareholders can continue to expect satisfactory growth in their earnings and dividends a share “in the longer term”.

The major shareholder, Gencor, is following its rights and underwriting the balance of the issue.

He said it would be prudent for Sappi to defer consideration of the dividend for 1985 until the year’s results are known meaning that no interim dividend will be paid.

Chief executive of Sappi, Mr Eugene van As, said it “was not possible to say if the final dividend for the year will meet that of last year”.

He said: “If interest rates come down and if everything goes right we will meet it. But at this stage it is not possible to give a firm prediction.”

Mr Landau said that all major units at Ngodwana have now been commissioned, but in the first quarter, difficulty was experienced with the pulverized fuel boiler which provides steam for the entire mill.

The boiler had to be taken out of commission for repairs by the supplier and was out of action for six weeks.

The repairs were successfully completed and the boiler has been operating satisfactorily since the end of April, he said.

The new pulp plant was operating close to budget, he said, and the operating difficulties on the newsprint machine in 1984 had been “largely overcome”.

The machine had now achieved a daily output of 443 tons, believed to be a new South Africa record and recent average daily output had exceeded budget.

Referring to Sappi’s re-capitalization, he said the substantial extra costs had been incurred on the Ngodwana project in terms of finance related expenses and start-up costs.

The extra costs were financed in large part by debt at prime interest rate.

The debt:equity ratio is higher than Sappi considers prudent and cannot be brought down at the current high interest rates as rapidly as the board considers to be necessary.

He said that because Sappi is not in a tax-paying position there is no current tax relief from interest charges. That is why Sappi has looked to an injection of capital to reduce the interest burden and improve the debt:equity ratio.

— Sapa
Kohler in firings row
By CLAIRE PICKARD-CAMBRIDGE
CONFRONTATION is looming between the Federation of South African Trade Unions and Kohler Corrugated and Cores at Brakpan. Posatu claims that it is the only company to fire workers for attending unionist Andries Raditsele’s funeral.
A spokesman for the Paper, Wood and Allied Workers’ Union, a Posatu affiliate, said the company had fired eight workers and given 134 others final warnings for ignoring management’s refusal to allow them to attend the funeral.
Workers at South African Breweries, Langenberg, Colgate Palmolive, Reckitt and Coleman, Cobra Brassware and Lever Brothers — which are Kohler Corrugated and Cores supplies companies — are being contacted to discuss solidarity action if workers are not reinstated.
The company maintains it adopted a flexible attitude towards requests by employees to attend the funeral and discussions were held with workers about this on all four Kohler plants on the Reef.
Union threatens employers

SOWETAN, Thursday, May 30, 1996

Page 11

JOSHUA

(Edited for brevity)
BARLOW RAND

Earnings crack

Barlow Rand's 12.9% fall in earnings a share for the six months to end-March was undoubtedly in the lower range of market forecasts. As expected, however, the market took the results in its stride, and the share price gained 10c to stand at 1.250c after the figures were announced on Monday.

The important factor is that the dividend was maintained, albeit on a reduced cover of 3.2 times, down from 3.7. Although there had been talk in the past few weeks of a possible cut in the dividend, nobody was taking that very seriously, particularly as Barlow had indicated last year — at the time of the acquisition of UK-listed J Bibby — that the cover might be reduced this year.

Warren Clewlow, chief operations officer, says he is "delighted" with the bottom-line performance. This is understandable in view of the battering that many of the operating companies have taken since last July.

A new structure has been evolving in Barlow, and this is reflected in the results. Most significant remains the Bibby deal. This, and the increase in the value of export turnover resulting from the weaker rand, lifted turnover by 27.8% to R6 015m. Bibby's performance was better than expected, and the dilution of Barlow earnings — following the issue of new shares in the Barlow deal — was only 5% instead of the expected 7%.

Another factor depressing earnings was the March Budget's increase in taxes on mining companies, which reduced earnings a share by 2.5%. Strip out the effect of Bibby and the mining tax, and the underlying trading performance is down 5.4% at the bottom line.

The big unknowns were the unlisted interests, particularly Middelburg Steel and the earthmoving, appliances and motor divisions. Clewlow won't give figures for the divisional performances at the interim, but it's clear that Middelburg must have done very well indeed, helped by strong international markets for ferro alloys, and export earnings boosted by the rand.

Earthmoving, says Clewlow, "held its own," despite the rising costs of imported equipment, and motors also "didn't do too badly." But the appliances side had a tough six months, and must have ended with a severe drop in profits.

The normal seasonal pattern of the group's earnings should ensure a significantly better performance for the year as a whole. Much may depend on the value of the rand over the rest of the year, as the exchange rate played no small part in some of the better areas.

"I'm very worried about the number of people who have been retrained since last July," Clewlow says. "I hope that conditions will start to improve now and confidence will pick up. But I've said that before and been wrong. We can't be sure."

After the various structural changes, as well as grassroots investments that Barlow has effected recently, it should be in a strong position when the elusive upturn comes. As Clewlow notes, the group is emerging from a phase of investments that have recently come on stream, or will soon do so. They include Metal Box's glass furnace, Romatex's nylon plant, Nampak's high-speed tissue-wadding machine, C G Smith Sugar's three-year capital expansion and Imperial Cold Storage's new DairyBelle plant.

"I'd hate to be just going into that phase now," adds Clewlow. "We'll be very pleased to have these plants when the upturn comes. There is a tremendous pent-up demand in many markets that will have to be satisfied."

Investors clearly retain immense confidence in the share and are entitled to hope for a better performance in future. Management has indicated that the total dividend will be maintained at 70c, but it is worth bearing in mind that the payout has not been increased since 1981.

Andrew McNally

SAPPI

Cash hungry

Sappi's R200m rights issue, if nothing else, underlines the speculative nature of this investment. Indeed, the Sappi shareholder can be forgiven an acute attack of angst, as he watches the group scramble for funds to cover soaring debt and interest payments, capitalise interest and pass this year's interim dividend. Moreover, a barrage of trading and financial imponderables does not ease the task of assessing the degree of risk.

Market reaction, predictably, varies widely from bullish to bearish, and the most widely held opinion was perhaps voiced by the institutional fund manager who told me: "I still like Sappi two or three years down the track, but short-term I'm scared of it. We were all taken by surprise by the passing of the interim dividend, and it was bad marketing. But in the long-term, I'm still hopeful."

Sappi optimists argue that the rights offer is attractively priced, as the preferred ordinaries carry a 12% coupon on the R10,50 issue price and offer prospects for massive earnings and dividend growth. Share pessimists note that the albatross of huge debt overhangs dividend potential. The rights issue itself was occasioned by a R478m finance cost overrun at Ngodwana (total completion costs are now estimated at R1.5 billion), and the extra cost was met largely by debt borrowed at prime interest rates.

Market analysts note also that dividends on the preferred are not cumulative. Says the fund manager: "It's a pretty poor show. Sappi is one of the top 20 companies and yet it can't guarantee the dividend. Who's to say that it won't pass on future dividends?"

Sappi, however, has no option but to have a rights issue if debt and interest charges are to be eased this year. Total borrowings in the year to end-December rose 51% to R1.1 billion and are now R1.2 billion. Finance costs in 1984 came to R84m, of which R57.3m was capitalised, while the return on
overstated, but bad news on Ngodwana’s production could become the major medium
term depressant on the share’s health.

However, chief executive Eugene van As notes that operating income should rise signifi-
cantly on 1984, as Ngodwana and exports chip in with appreciable earnings con-
tributions by the second half of 1985. Van As expects exports to contribute R15m to R20m
a month by the year-end, and he aims to achieve annual export sales of $120m a year,
amounting to some 20% of total group in-
come, compared with 6% in 1984.

Longer-term growth lies mainly in the SA
market, and Van As argues that “an eco-
nomic turnaround could see paper demand
growing very rapidly. Our experience is that
the paper market could expand 1.5% faster
on a long-term trend than gdp.” And with
average SA paper consumption totalling an
annual 55 kg per capita compared with 250
kg per capita in the US and 119 kg in the
UK, there is clearly room for growth.

But back to the rights issue. Van As says
that the debt/equity ratio could be cut to
1.10:1 after the issue (which is being under-
written by Guinness), and that some R12m
will be saved in interest this year (R24m in a
full year). Every 1% fall in prime will save
another R4.5m before the issue on an annual
basis, and Van As does not foresee more
rights issues in the near future in order to cut
debt.

“We see future debt redemption coming
out of cash flow,” he says, “our average term
of debt is about eight to ten years and we
have to repay about R100m a year. An
acceptable debt/equity ratio should be 0.8
and I see us reaching this target in three
years’ time.”

Van As thinks that earnings should grow
sufficiently by 1989 at the latest, to allow
dividends on the ordinary shares to reach 126c, at
which point the preferred ordinary and
ordinary shares will be merged. But assum-
ing a 60c total dividend this year on the ords
(which could be dicey), dividend growth be-
tween 1986 and 1989 would have to exceed
20% a year for 126c to be reached in 1989.

On the day after the rights announcement,
the price of the ordinary shares fell, closing
at R10 compared with R10.50 the night
before. This year’s reduced dividend poten-
tial was the immediate cause of the fall, but
it also suggests the market doubts medium-
term dividend growth will total 20% a year,
at least not until it has taken stock of the
position.

The preferred ords should trade at a high-
er price to the ords in order to reflect a more
favourable income differential until conver-
sion, so demand for the ords could develop as
a relatively cheaper way of acquiring the
preferred ords. An attractive entry into
Sappi could also be via the preference shares,
which currently yield 12.5% and 14.9% on
dividend, and which will be converted to ords
by 1989.

But further share price weakness cannot
be ruled out and investors, on balance, may
not be out of pocket in the short term if they
pass the chance to take up rights.

Christopher Munro

HORTORS/HORTRIO

Paying the penalty

With three of its advertising divisions suffer-
ing substantial losses last year, Hortrio’s
prediction of increased earnings proved over-
products fallen sharply, but the company has suffered from abnormal bad debts. Moreover, Hortrio is paying the penalty for its high gearing, and finance charges last year increased some 44% to R4,6m (R3,4m).

"We have suspended operations in two of the loss-making divisions, while the third has been merged with another business with strong management," says MD Michael Watermeyer.

On prospects for the current year, Watermeyer says "the proposed purchase by Hurrio of the publishing interests of Caxton makes it difficult at this stage to forecast," but declines to comment further.

If the reverse take-over goes ahead, Hortrio will become a subsidiary of Caxton, and their activities will be merged. With Hortrio mainly involved in printing, and Caxton a leading publisher of "knock and drop" newspapers and magazines, there are obvious synergistic benefits to this tie-up.

But the merger terms have proved controversial, largely because Caxton is selling its assets to Hortrio at a massive premium. Nevertheless, shareholders are due to receive the merger details soon, whenever all may be explained.

Juggling, however, from recent movements in the relevant share prices, the market has little doubt which company the deal favours. While the prices of Hortrio, and its holding company HORTORS, have remained unchanged at 270c and 145c respectively, Caxton’s price has increased from 300c before the deal to 3 500c. On Monday a buyer appeared at 4000c.

Granted, Caxton is extremely thinly traded, and the price can move radically on small volumes. But the price jump may well reflect investors’ initial assessment of the deal.

HORTORS ended the year with results somewhat worse than Hortrio’s. Apart from having to settle for a smaller contribution from Hortrio, HORTORS’ second subsidiary, Kalamozz Business Systems, performed well below expectation. Over the year, HORTORS earnings declined 17% to 26,6c (34,9c).

At their respective prices, HORTORS yields 7,9% on dividend, and HORTORS 6,6%. While these yields are on par with the industry average of 7,6%, they are somewhat thin, considering immediate prospects for the printing and publishing markets.
Management changes at the top of Barlow Rand are the clearest signs yet of a new shape emerging since Warren Clew low was appointed chief operating officer in October 1983. It suggests fundamental changes in thinking, and points to new leaders emerging from the younger generation of senior management.

The latest appointments were in response to the departure of John Maree, a senior manager at Barlow for 15 years, and the present chairman of the group’s building materials, steel and paint division. In a move that has been expected for some time, Maree becomes chairman of Escorn’s reconstituted board.

This, as Barlow chairman Mike Ro sholt points out, will strengthen links between private and state enterprise. Maree has gained considerable experience during his tenure. Between 1979 and June 1982, he was seconded to Armcor as chief executive (while retaining his directorship of Barlow) and was credited with revitalising the State-owned arms producer.

However, it may well be that Clew low grasped this opportunity to achieve some ends he had in mind anyway. These appointments should be seen in the context of the expansion of the international interests, management changes at C G Smith and the restructuring of various Barlow divisions in the past 18 months.

Taking a large step upwards is present Reunert chairman Derek Cooper (45) whose responsibilities have been substantially broadened. He succeeds Maree as head of the building materials, steel and paint division, and assumes the chairmanship of that division’s three operating companies, Federated-Blakie, Rober Industrial Holdings (RIH) and Plascon Evans.

Cooper remains chairman of the electronics and engineering division, essentially Reunert, which in the year to end-December had a turnover of R968m and attributable taxed profit of R18.7m. Maree’s division is, however, far larger with a turnover last year of R1.45bn and attributable taxed profits of R37.9m in total, Cooper will now be responsible for businesses with sales of some R2.5 billion.

A Wits University CA, Cooper has achieved his rise to seniority in Barlow the traditional way by moving up through the ranks. He joined the group in 1964, moved onto the main board in 1976 and has been the key figure in the restructuring of Reunert as Barlow’s vehicle in high technology activities.

Much of the emphasis at Reunert has been on strategic considerations as the former engineering-based company has positioned itself over the past two years to concentrate on electronics and electrical engineering, which now comprise some 90% of the business. Cooper will assuredly have to show an even greater penchant for creative thinking and planning in future. Apart from the scope of his responsibilities, the building materials, steel and paint division is particularly depressed at present, and all three listed companies got badly hammered in the six months to end-March.

Sharing the load will be Maree’s pre-
Strikers jailed for 'scab' assault

FIVE striking Sanimcol workers have each been sentenced to 12 months’ imprisonment for dragging a “scab” worker from a bus and assaulting him with assegais and sticks.

A Pietermaritzburg magistrate convicted the men of assaulting Mr Dolo Sokhela with intent to do grievous bodily harm.

The men are Mamoyi Sitholi, 40, Mhlakonw Zondi, 40, Sigova Zuma, 30, Nduna Cele, 40, and Tafazele Mabaso, 38, all of Hazza location.
Interest bill knocks Sappi — R20m loss

JOHANNESBURG. — In spite of notching up a 50 percent increase in operating income before interest, Sappi Ltd has recorded a loss for the first half.

For the six months to June 30, Sappi's attributable loss amounts to R20m or 63.5c a share.

Yesterday's interim shows that Sappi's turn-over for the first six months rose 10 percent to R372.5m largely as a result of increased exports of fine paper from Enstra's No. 6 machine and exports of newprint and kraft linerboard from Ngodwana.

**Profit**

Operating profit climbed dramatically from the R37.6m earned at the end of June a year ago to R56.3m, an increase of 50 percent.

However, net interest paid soared 222 percent from R20.5m to R65.2m, and turned the operating profit into a loss.

After adjusting for finance costs capitalized, tax, and deducting outside shareholders and preference dividends, the loss attributable to ordinary shareholders amounts to R20m.

This is equivalent to a loss of 63.5c a share (1994: 64.5c a share profit).

At the halfway stage a year ago, Sappi achieved an attributable profit of R20.7m.

As Sappi anticipated, the interim dividend has been passed.

**Rights offer**

It was also announced yesterday that Sappi's rights offer to raise R201m has been successful. The merchant banks to the offer, Barclays Merchant and Senbank, have announced that subscriptions were received for 98.7 percent or 18 933 236 of the 19 186 202 preferred ordinary shares which were on offer.

The remaining shares will be taken up by Genkor as underwriters to the issue. — Sapa
Ngodwana financing charges of R66m hit embattled Sappi hard

By Peter Farley

The full impact of Sappi’s punitive borrowing levels came home to roost with a vengeance in the six months to end-June. The embattled pulp and paper manufacturer started to pay the full financing charges on its R1.55 billion expansion at Ngodwana from February, and as a result the half-yearly interest bill – after tax savings – more than tripled to R66 million.

This more than wiped out the 50 percent leap in operating profit to R56 million and when tax, minority and pref dividends payments are deducted the bottom line slumped to a R20 million loss after a similar profit in the same period last year.

However, the net loss would have been significantly greater had the company not capitalised some R15 million worth of the finance charges.

It said that it was able to do this as additional start-up costs were incurred in those elements of the new plant which were not fully operational.

Shareholders had some inkling that the company’s financial problems were increasing when it was announced two months ago that the interim dividend would be passed. However, there would have been few who expected the collapse to reach these proportions.

The second half should show some improvement, particularly as the company traditionally generates almost two thirds of total net profit in the second six months. This time, however, it will have the added advantage of the R200 million-plus raised through the rights issue and the benefit of declining interest rates.

The new money alone is expected to reduce financing costs by around R40 million in a full year. Also, every one point fall in interest rates is estimated to save more than R4 million on the bottom line in a full year.

On the other side of the coin, Sappi will have to generate around R65 million in net profit just to meet dividend payments on its respective classes of shares.

This year the figure will be below that after the interim passed. But it is still likely that there will be little left in the pot for ordinary shareholders or payments have been made to the company’s bankers, minority shareholders and the taxman.

The half-year balance sheet has been restated to include the mountain of debt the company has to service, that R200 million only brought gearing down to 30 percent from 116 percent at the same point last year and from 120 percent at December 31.

The company will come right this year and profits will return in years to come. But potential investors should wait until the company is in a better position to guarantee some sort of return.

SA keeps up trade surplus

South Africa last month maintained its favourable trade balance, with the surplus nearly R1.058 billion.

Department of Customs and Excise statistics show this was the third time this year that the monthly surplus exceeded a billion rands.

The average monthly surplus for the first half of this year was R893 million – almost three times the figure for last year. The total trade surplus for the first half of this year was R5 355 million – about R1.800 million more than in 1984 — Sapa.
Recession-hit industry

PACKAGING

NO SALE, NO WRAPPING

BUSINESS DAY

Flexible operations is bake consolidated in

Just a pack

picture

pretty

not a pack

Ipsa packs them in

The back of the pack...
New Plastic

The third not a fairy

On the Ward of Time

Packaging exhibition

British companies will make a big show at Packrocces '85

Export potential

New Sappi Fleet

Nodwana Hits The Jackpot
Pmb faces stores boycott

A THREATENED consumer boycott of white shops in Maritzburg is hanging in the balance as the Metal and Allied Workers' Union (Mawu) await responses from BTR Särmeol and the Chambers of Commerce and Industry.

The threatened boycott is intended to get businessman to persuade Howick-based BTR Särmeol to meet with the Metal and Allied Workers' Union (Mawu), who are demanding the reinstatement of 975 workers fired by the company last month.

A Mawu spokesman said yesterday that if the boycott was launched it would be the joint decision of community and labour organisations in the area.

Maritzburg was hit by a work stay-away two weeks ago which closed most industries in the area. The stay-away was also launched to pressure BTR Särmeol into reinstating workers who went on strike over union recognition.

Dr Keith Wimble, president of the Maritzburg Chamber of Commerce, said they had decided to meet both Mawu and BTR Särmeol in an attempt to get the two parties together.

He said the chamber did not see stay-aways or consumer boycotts as productive measures because they could force employers to consider further retrenchments. He also said he believed that such a move would alienate sympathy for their cause.
IN an escalation of the BTR-Sarmcol dispute, white-owned shops in Maritzburg are to be boycotted, said the Metal and Allied Workers Union (Mawu).

Mawu said the methods of the boycott had yet to be decided.

A spokesman for the Federation of South African Trade Unions (Fosatu) said a delegation of Fosatu and Mawu officials, along with representatives from community organisations, would hold meetings with the Mayor of Maritzburg, Robin Dales, and the Chamber of Commerce today and tomorrow, respectively. “But the boycott is definitely on,” he added.

Mawu is also to have a separate meeting with the Chamber of Commerce, which it hopes will put pressure on BTR to reinstate dismissed workers.

There will be a general meeting of the Maritzburg community next Saturday to report back on the meetings with the mayor and various chambers and to launch the boycott,” said the Mawu spokesman.

The dispute between Mawu and Sarmcol began when the company fired 975 workers who went on strike over union recognition several months ago.

In a weekend Press release MAWU drew attention to the interest the BTR dispute has sparked in Britain.

“The BTR issue has been raised in the House of Commons regarding foreign investment in SA and a representative of Mawu will be appearing on British TV to outline the dispute,” said the union.

The release added that the British Trades Union Congress had agreed to send a senior trade unionist to SA to investigate the BTR dispute and report back to UK, if invited by Fosatu.
THE Paper, Wood and Allied Workers' Union (Pwawu) has resigned from the Pulp and Paper Industrial Council because, it says, the council is dominated by "employer and artisan union interests".

Pwawu's move will affect workers and employers at 18 paper mills owned by Mondi, SAPPI, Carlton and Nampak.

Pwawu, like unions such as the Metal and Allied Workers' Union (Mawu), is saying the union's membership of its particular industrial council is used by employers to "avoid meaningful plant-level negotiations".

Pwawu said it had not found the council to be a successful bargaining forum.

"Pwawu's proposal that the council should gazette a minimum wage of R2 an hour was defeated when the other unions and all the employers opposed this," Pwawu said.
May-Day holiday won by Mawu

THE Metal and Allied Workers' Union (Mawu) has become one of two Fosetu 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 (Nawu), 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. Pilkington'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.
Paper mill workers want to negotiate wages directly

Labour Reporter

MORE than 2,000 workers at five mills belonging to the Mondi Paper Company have asked to negotiate wages directly with the management rather than using the official machinery.

The 2,300 workers, who belong to an affiliate of the Federation of SA Trade Unions (Fosatu), the Paper, Wood and Allied Workers' Union (PWAWU), have said they are dissatisfied with wage increases negotiated through the Pulp and Paper Industrial Council.

The latest increases granted by the council bring minimum wages to R1.38 an hour in the lowest-paying Mondi factory and to R1.07 an hour in the highest-paying, according to a union spokesman.

A union statement said no progress had been made in negotiating wages with local management.

PWAWU claims to have majority support in five out of six of Mondi's paper mills, with the Cape Town mill the only exception.

A spokesman for Mondi said the management would bargain with representative bodies on issues common to all employees "in one forum only, that is with all unions together."

"The Industrial Council provides for just such a mechanism and the paper and pulp industry is no exception to this preference for non-racial, non-fragmentary bargaining."
Three Giants Control Packaging

BY PSCIAI. WHILE

Business Day/Industry
immigrants and not refugees, the SACC has asked the UNHCR to send a task force to monitor the handling of the Mozambicans and to grant them refugee status. “We are presently seeking some recognition status that is not prohibited immigrant,” says Sol Jacobs of the SACC Division for Refugees.

In a statement released this week the SACC called on the SA government “to stop the deportation of Mozambican refugees and to negotiate their status, protection and repatriation with the UNHCR.” They have asked the SA authorities to grant the Mozambicans temporary refugee status on compassionate grounds and to give them humanitarian aid and shelter.

According to Jacobs the basic function of the UNHCR is to extend international protection to refugees and to establish proper repatriation procedures. This legal status prohibits the return of a refugee to a country where he may be persecuted — the general rule is that refugees are not repatriated unless they wish to go home of their own free will.

The position in SA at the moment is that while the Mozambicans who found their way into Gazankulu are being allowed to stay temporarily as “visiting relatives,” those caught within the borders of SA and the Kruger National Park are being returned. The latest figures from the Department of Home Affairs are that over 1 500 Mozambicans a month are being repatriated.

Given the economic collapse in Mozambique we are concerned with the Mozambicans’ ability to handle the flow back,” says Jacobs. “The people being returned are being exposed to landmines, the atrocities of the rebels, and police patrols. A UNHCR task force is needed to establish what is going on and ensure the basic rights of the fleeing villagers.”

INDUSTRIAL COUNCILS

Paper union quits

The withdrawal of Posatu’s fast-growing Paper, Wood and Allied Workers’ Union (Pwau) from the Industrial Council for the Pulp and Paper Manufacturing Industry, and its demand for decentralised wage bargaining, is unlikely to precipitate conflict between employers and the union in the short term.

But it highlights again the difficulties experienced in attempting to integrate emerging unions into a system which, for more than fifty years, has been the preserve of representatives of mainly white, skilled labour.

Three of the four companies in the industry — Sappi, Mondi and Nampak — have told the FM they will conduct negotiations with Pwau at plant or company level later this year. The fourth, Carlton Paper, has previously agreed to it and is not expected to change this policy.

A Pwau spokesman is at pains to point out that the union does not oppose industry-wide collective bargaining in principle. But it finds the council system to be unsatisfactory and is suggesting decentralised bargaining until a mutually acceptable forum is established in the industry. It has also recommended that the council dissolve itself.

Most emerging unions, including Pwau, have participated in the industrial council.

DUMISANE KUMALO

From America, with love

Dumisane Kumalo is director of projects for the American Committee on Africa in New York. He left SA in 1977 and became the prime mover in the divestment movement in America, and claims to have generated the divestment of roughly $4 billion from SA.

FM: What led you to disinvestment as a way of putting pressure on the SA government to change?

Kumalo: By cutting off important US technological and monetary support, we believed we would be able to make the SA government respond to pressure and critics in a direct way. The only way to do this effectively would be to get city and state governments, which had millions invested in SA, to divest. In the five or six years since we started campaigning, we have had 40 states debating divestment — it takes up to three years for the legislation to be passed — and several have passed legislation. Thirty cities, all the major US cities, now have passed laws to divest and the Mayor’s Conference agreed unanimously to divest last year. Finally, it has become a bi-partisan movement and no self-respecting American politician, both Democratic and Republican, will openly support apartheid now.

How is it that under Jimmy Carter some Americans apologised for his tougher view on

SA, but under Reagan Americans apologise for his conservative policy?

There has been a turnaround in public opinion which was brought into focus by the election campaign last year. To black Americans it is a case of Reagan doesn’t care about them and so why should he care about what goes on in SA? People had faith that Jimmy Carter would do something to change apartheid. At this stage it is not clear if Reagan will veto the legislation that has been jointly approved by Senate and the House, but even if it isn’t approved by the president, there are now too many significant influences at work to stop the movement.

What ultimately do you see as the goal of the divestment movement?

We have already been successful, as the FM has already said, in checking the flow of funds into SA. We have stopped millions of dollars in new investment, although the business conditions are not that unfavourable when you consider the strength of the dollar against the rand.

We have made US multinationals and banks realise their images can be tarnished and attached a real hassle factor to any SA investment. We have all but stopped the sale of Krugerrands and these buyers are basically apolitical people.

So far we calculate we have created a divestment of roughly $4 billion in pension funds, equity and US-SA operations. However, the real achievement is not getting corporations to pack their bags and leave SA, but getting the Botha government to respond to pressure and isolation. We want to make apartheid unworkably expensive, so finally the government has no other way out but to give in to change. We believe this is a direct and non-violent means of making the present government yield to criticism, where it hurts.

They are in trouble now as a result. We are also getting involved in Japan, Germany and other countries in Europe. Although we will never be able to totally cut off the flow of finance to SA, we will make it difficult and expensive.

Detractors of the divestment movement say it can hurt working-class blacks. What is your position on this question?

I am amazed at people who suddenly develop sympathy with black people. To me it has the ring about it of the old anti-abolitionists who said slaves would be hurt by freedom.

In fact, the 350 US companies in SA employ only 50 000 black people. IBM employs 1 500 people, of which only 200 are not white; similarly, Control Data employs only a few black personnel and General Motors employs only twice as many whites as blacks. It is perceived in the US by many people as an empty argument and it does not wash. I have worked in the SA business sector and it is nonsense, from my view, to say that having a good job solves black South Africans’ problems. The real issue has always been apartheid, the forced removals, violence against opponents of the system and discrimination at every level of existence.

Financial Mail September 13 1985 57
CONSUMER BOYCOTT

Backfiring in Natal

The organisers of the national boycott campaign are spreading their boycott of white-owned businesses in Natal. But it could backfire badly in Durban because most of the black and Indian-owned shops which the boycotters would be obliged to turn to were destroyed in the recent unrest.

Backers of the boycott, a loose association of trade unions and community organisations, headed by the Federation of South African Trade Unions (Fosatu), say they are aware of the difficulties but it won’t dissuade them from going ahead. Instead, the main focus of the boycott will merely be directed elsewhere.

Worker participation

It also says the industrial council system prevents “proper worker participation.” The council would like representatives from each of the 18 plants to participate in bargaining so as to facilitate consultation with members during negotiations. And it is suspicious of what it describes as the “old boy” club atmosphere in which employers and the older unions negotiate.

The union’s withdrawal from the council was finally precipitated by the rejection by the other unions and the employers of its proposal to increase the minimum wage in the industry from R1.65 to R2/hour.

Next month the council is to discuss its future. MEC’s Alan Young says the union’s resignation from the council is “disappointing, as it comes at a time when all parties to the council are in agreement regarding the need to revise its structure. Pwawu was given the opportunity to make written submissions in this regard. It chose not to do so.”

Responds the union spokesman: “We have always been prepared to discuss the matter with employers, but not under the auspices of the council.”

Mike Walmley, chairman of the Association of Pulp, Paper and Board Manufacturers of SA, says his association has strong views on the subject, but does not wish to make them public before they are made known to the other unions.

The paper industry dispute over industry-wide collective bargaining structures is one which will be played out in many other industries in the future. If Pwawu and the employers can set the lead in finding solutions they will have done SA’s industrial relations scene a service.

Inyanda’s Gumed and Cornick’s Andrews ... a helping hand

According to some estimates, around 120 “non-white” businesses — about 60% of the total — were either razed or looted in the violence which flared in the black townships of Umhlazi, KwaMashu and Inanda several weeks ago.

Ironically, white business is being requested to contribute funds to have them restored. The SA Sugar Association has donated R50,000, and brick supplier Corobrik has contributed 120,000 bricks towards rebuilding (Business August 30).

Black traders themselves — those that remain — appear to be caught in the middle. The Umhlazi chapter of the black Inyanda Chamber of Commerce has been asked by Fosatu to assist in their campaign. But, while Inyanda members claimed they were sympathetic to the underlying causes, they stopped short of actively co-operating.

Even on that they appear to be out of line. Inyanda president, Patrick Gumede, rapped members for even meeting with the boycotters. Says Gumede: “At a time when I am busy appealing to the white private sector to assist in the rehabilitation of black businesses, I cannot on the other hand be seen to be condoning the actions of Fosatu, and all those who join them, in advocating the consumer boycott.”

Given the difficulties, Fosatu education officer Alec Erwin says it would probably be a while before the boycott is felt by Durban traders. In the short term he says efforts will be directed at places like Hammarsdale, Cato Ridge, Pinetown and Pietermaritzburg where black spending is at its heaviest. Later, other areas like Ladysmith, Newcastle and Empangeni will be targeted.

Erwin makes the point that the boycott in Natal is not an extension of the Metal and Allied Workers’ Union (Maaawu)/Sarncel dispute which has already led to black consumer boycotts of white businesses in Howick and Pietermaritzburg.

He says it is part of the national boycott campaign and merely happens to coincide with Maaawu’s boycott strategy. As such, its primary objectives are the same — the lifting of the State of Emergency, the withdrawal of police and army units from the townships, the freeing of detainees and the granting of full political rights to all.

THE FALWELL VISIT

The funding issue

The Rev Gerry Falwell’s five-day visit to SA in August was paid for by South Africans, who also arranged his itinerary. The venture has proved controversial in the US because of his support for Pretoria’s reforms, and Falwell’s call for greater economic aid for SA.

Speculation has surrounded the trip, and the US media has put substance to speculation that Falwell’s Moral Majority movement is mounting a campaign to reverse the tide of opinion against SA, and to get business to pour money back into the country.

Some have hinted that South African money is backing the entire effort. Baptist preacher, Dr Gerry Prevo, who accompanied Falwell’s delegation to SA, admitted to the FM that the trip was made at the invitation of a group of South African citizens.

Falwell expressed a desire to go to SA — and “South African citizens” responded by saying he should come and bring others too, Prevo said. He added that the SA citizens represented business interests, but declined to disclose anything more about the funding of the trip.

Prevo said the delegation came back from SA in support of government-initiated reforms: “Our recommendation is that the US stands firmly behind the government and tries to make up for the money that has flowed out of SA.”

Prevo has in fact attempted to mobilise support for his stand in his home city, Anchorage, in Alaska. But he said that since his return he had found more support for sanc-
The results are far better than Carlton’s management — who in spite of an improvement in nervetongue — are cautious on full year figures — expected.

The Gencor company has posted a final dividend of 32c which, with the unchanged 14c interim, takes the total payout to 46c. Although the 45% rise from the 1982 dividend of 32c is in spite of a jump in dividends and recovery from 1.3 times back to the normal level of 1.7 times.

Performance

The impressive performance by Carlton follows a substantial improvement in the second half of the year in all the group’s market sectors. Another important factor was tight control of costs.

Carlton manufactures and distributes tissue products, such as facial tissues, towelettes, toilet and facial tissues, serviettes, diapers and other disposables.

In 1982, the country’s major domestic manufacturer suffered from the demand for introductory products by heavy stocking among consumers. This, in turn, cut production. Because the group is capital intensive, costs were pushed up at a time when raw materials were experiencing cost increases.

The net result was that Carlton suffered its first earnings reversal in five years with earnings a share sliding from 3.3c in 1981 to 4.3c in 1982, being maintained at 32c at the expense of cover which slumped from 1.7 to 1.3 times.

Although the first half of 1983 saw an improvement in earnings per share, from 14.7c previously to 25.8c, the chairman, Mr Basil Landon, said the results did not provide a full picture of the company’s operations.

The full year and said that the continuing economic uncertainty combined with the impact of the drought made it unlikely that the second half results would show any improvement on the first half.

Sales for the full year, however, jumped 18 percent to R130.2m compared with R101.1m. Pre-tax earnings more than doubled, from R6.5m to R17.6m.

A Carlton executive admitted management were surprised by the recovery, “We never thought it would be that good.”

One reason was aggressive marketing. General market conditions remained very price-competitive but Carlton aggressively pruned prices in many product lines and more than compensated on the margins side with markedly higher volumes.

Sales volumes

Assets were carefully managed and produced launch costs, which had an impact in the 1982 results, were down. New products did well — especially the Huggies disposable infant nappies, launched in mid-1982. This product particularly took off in the second half, and gained significant inroads into the cloth nappy market.

De-stocking by Carlton consumer ended early in the year.

Carlton also made its first move into specialist distribution with the opening of a distribution centre for the Pretoria-Witwatersrand-Vaal area near Jan Smuts aerodrome in June. This further enhanced sales volumes.

The tax rate jumped from 22 percent to 40 percent. This was mainly because the 1982 rate was depressed by the sale of a Cape Town factory, the capital profit from which was deductible from taxable earnings. The 1983 tax rate was also pushed up by lower export allowances.

Attributable earnings nevertheless jumped 56 percent to R10.5m compared with 6.74m previously.

Comment: Carlton, previously around 500c, yields eight percent on the full 40c dividend. This is already the most generous dividend in the paper and packaging sector, and is not appreciated sufficiently, indications are that the market has also been benefited by the buoyant full year results.

Mr Landon says Carlton’s earnings growth performance will benefit from greater marketplace opportunities as a result of increased production facilities.

Carlton also has a strong balance sheet with a conservative debt-equity ratio of 0.21 at the end of December. This should protect it from the effects of generally high interest rates.

Mr Landon expects some improvement in profits this year. He does not specify the extent of the improvement, but it is unlikely to be as dramatic as the 1983 results.

An artist’s impression of a R15m sectional office complex for Cape Town investors — head by developers Stocks & Stocks and Syfrets Trust — is developing a R15m sectional office complex in central Cape Town. The development, which will consist of a parking and an office block, is unusual in that it is one of the first office blocks in Cape Town to be sold on sectional title. Office units in the complex will be available from 250m2 upwards.

The site of the new development is a prime 500m2 block, bound by Wale, Loop, Bree and Dyer Streets.

Construction work by Stocks & Stocks (Cape) has already started and the 24-month contract implies that the building will be complete by December 1985. Syfrets is providing the major portion of funds.

Although the first half of 1983 saw an improvement in earnings per share, from 14.7c previously to 25.8c, the chairman, Mr Basil Landon, said the results did not reflect improved trading conditions but the effects of cost cutting and product launches by Carlton in 1982.

He was also pessimistic on the outlook for the next year.
Joint action is planned

THE Paper, Wood and Allied Workers Union (PWAWU) has set up a similar council among Barlow Rand shop stewards. PWAWU claims to have enrolled two-thirds of the Mondi group's workers - more than 2,500 people.

The council's letter calling for wage talks may also prompt conflict with Mondi, as the company is known to oppose wage bargaining with unions outside the official industrial council system.

Mondi recently agreed to recognise PWAWU, but this agreement does not give the union wage bargaining rights at the company.

Mondi's managing director, Mr Reg Donner, was not available for comment yesterday. In its statement yesterday, PWAWU said the council had met for the first time at the weekend "to discuss a joint approach towards management".

It said stewards had decided to have joint talks "after ludicrous wage increases were granted this year in terms of the industrial council agreement".

Another issue discussed at the meeting had been Mondi's group pension fund "about which workers have many complaints".
Conflict looms as talks rejected

Labour Correspondent

CONFLICT between the Anglo American company, Mondi Paper, and Pwawu's Paper, Wood and Allied Workers Union threatened yesterday as the company said it would not deal with a new joint shop stewards council set up by the union unless it joined the paper industry's industrial council.

On Monday, Pwawu announced that shop stewards at five Mondi plants had formed a council to plan joint worker action -- the first such body set up by Pwawu -- and that the new council had written to Mondi asking for talks on wages and the company's group pension fund.

The union -- which does not belong to the paper industrial council -- attacked recent wage rises negotiated at the council and suggested that it would press to negotiate wages directly with Mondi outside the council.

But Mondi, which opposes wage bargaining outside the industrial council system, issued a statement yesterday ruling out talks with Pwawu's joint council unless these were held under the auspices of the industrial council.

The company suggested that it was willing to consider dealing with the new council -- but only if Pwawu agreed to join the industrial council.

It said it would only negotiate on issues common to all its workers with all the unions in the paper industry at the same time and said this could only be done through an industrial council.

Mondi also charged that Pwawu's claim to represent two-thirds of its workers had not yet been verified.
Sappi profit shows strong recovery

By JOHN MULCAHY

JOHANNESBURG. — After reporting a 4.3 percent decline in profit for the first six months of 1983, Gencor’s paper and pulp producer Sappi showed a strong recovery in the second half, closing the year with attributable profit 8.6 percent ahead of 1982.

Earnings rose to 214c, a share from 194c and the final dividend has been left at 61c, for an unchanged 86c total. Attributable profit rose to R66m from R60.8m and the tax charge rose to R8.97m from R162.000. There was a surplus of R5.020m on the sale of non-current assets, the major part of which related to the sale of a plantation and an investment in Singita Forest Products (Pty).

Domestic demand

Sappi’s chairman, Mr Basil Landau, said yesterday the deterioration in domestic demand for packaging paper was seriously affected by the drought and by imports. He again cited the lack of effective tariff protection and said attempts to secure realistic duty protection had been unsuccessful.

“The market for fine papers remained constant, but newsprint demand dropped by about five percent.

“Bucrant conditions in the building industry have caused strong demand for particleboard and for structural timber, but industrial grades of timber suffered badly from a sharply deteriorating market.”

Sappi’s turnover rose by 11 percent last year to R853.5m from R494.1m in 1982 and operating income was 11 percent higher at R82m (R73.9m).

Net interest paid dipped to R15.461m from R16.860m, but this has been substantially reduced by the capitalization of interest on borrowings raised for the Ngodwana project.

Financing costs

Interest capitalized in this way amounted to R13.097m, leaving net interest of R2.4m, down from 1982’s R2.4m. There was an additional R1.96m in capitalization financing costs, arising from dividends paid on preference shares again issued as part of the Ngodwana financing scheme.

Commenting on the 1983 performance, the directors say that in spite of the declining domestic market and the effects of the recession, as well as double-digit inflation, “the erosion in operating margins has been contained”.

“This was achieved from slightly higher volumes in some product categories and through continued concentration on productivity improvements and control of assets.”

Sappi’s managing director, Mr Eugene van As, said last night there were two factors that could depress earnings in the six months to June.

Price increases

The first was the delay in price increases, which were normally applied in January, and demand would probably be slack in this period.

Pre-tax profit was 23 percent ahead of 1982 — R84.7m against R67.7m — but the sharp rise in the tax charge left net income 15.1 percent up at R77.7m (R67.5m).

Minorities rose sharply to R8.4m from R4.1m, a direct result of the improvement at Carlton Paper, and dividends on preference shares more than doubled to R5.290m from R2.880m.

“Reviewing the year ahead the directors say economic indicators internationally and within South Africa are inconsistent and no clear trend is evident.

Although the first half of 1984 is likely to show a small reduction in attributable earnings compared to the first half of 1983, it is expected that local business conditions should improve later in the year.”

“The improvement in the United States and Western economics can be expected in due course to favourably affect the South African economy, and it is expected that the results for 1984 should be better than those achieved in 1983.”

“The company is in an excellent position to develop growing export market opportunities, particularly in the field of kraft and linerboard, which are predicted to be in short supply internationally from the end of 1984.”

Mr Van As said the international paper industry was nearing the end of its depressed cycle.

Fine paper had held up well, but kraft, pulp and newsprint were depressed.

He said significant destocking was seen throughout last year, but “I don’t think there is room for any more destockings and in fact we could see a resurgence of restocking in the second half of this year.”

Mr Van As said it would be realistic to forecast the start of the upturn in the paper industry in the second half of the year.”

Newsprint

The Ngodwana newsprint machine, started up on September 20, has reached 85 percent of designed speed, and Sappi expects to export 50 000 tons of newsprint this year.

At full production the Ngodwana newsprint machine’s output will be about 140 000 tons a year, of which about 70 000 tons will be available for export.

Mr R H Clarke has been appointed to the Main Board of Leyland South Africa as director, product development.
Sappi projects may be R120-m over budget

Argus Correspondent
JOHANNESBURG.— Sappi’s R800-million expansion project at Ngodwana and Enstra could end up about R120-million over budget by the time final plant and equipment is commissioned in March 1985.

Finance director Mr. John McManus says that while the cost overrun will probably only be about 5 percent or R40-million, this will be in addition to a 10 percent escalation clause which was built into the original R800-million estimate.

But this is not likely to have any real impact on group results during the period.

The main reasons behind the cost overrun include the damage to drying machines (which made it necessary to fly in special equipment from Europe to rectify the problem) and unforeseen price increases.

SLUGGISH RECOVERY

But the setback for several months caused by damage to drying machines for the newsprint production has been more than overcome. The project is now expected to be completed four months ahead of the original July 1985 completion date.

The depressed state of the local newsprint market and the sluggish recovery in international demand have, however, affected original profit expectations. At the start of the project, Sappi had budgeted for a return on capital invested of 21 percent, or a total of just under five years before the investment had paid for itself.

BOTTOM LINE

Because of depressed economic conditions, says Mr. McManus, this figure has now fallen to about 14.5 percent, or seven years. The impact on bottom line earnings of the complex financing package structured specifically for the purchase of plant and equipment will be interesting.

The leverage leasing scheme used allows substantial tax benefits after plant is commissioned. Sappi also got in before the late-1981 alterations to the taxation laws, so pre-commissioning interest payments can be grossed up and offset against tax as initial and investment allowances.

INTEREST CHARGE

In some instances this will produce a negative interest charge on the project’s financing and bring the group’s overall net interest rate to well below 10 percent.

Of the total R850-million borrowed so far for the project, about R450-million has been raised for plant and equipment through the leverage lease scheme.

EXPORT MARKETS

A further R150-million has been raised overseas via export credit finance, while the balance has been made up from the issue of preference shares in subsidiaries, a rights issue and internal resources.

Once the project is complete Sappi aims to export some 50,000 tons of pulp a year — none is exported at present — out of total pulp production in 1986 of almost 1-million tons.

Paper exports are expected to rise from 50,000 tons now to 150,000 tons, from output of just over 1-million.

Sappi earned R66-million in the 12 months ended December 31, equal to 214c a share. This was an 8.8 percent increase on its 1982 earnings of R60.8-million equal to 197c a share, Sapa reports.

An unchanged final dividend of 6c a share has been declared making an unchanged 86c for the year. This dividend was covered 2.5 times (1982: 2.3 times) by earnings. Sappi issued 230 605 shares in 1983 for the acquisition of Timberboard (Pty) which now forms part of Sappi Novobord.

Operating profit before interest rose 11 percent from R73.9-million to R82-million.

Income was helped by a profit of R5-million (1982: R0.7-million) from the sale of assets.

Interest took R2.4-million (R6.9-million), partly because interest for the Ngodwana project has been capitalised. Preference dividends increased from R2.6-million to R3.3-million.
FOR ASSAULT ON OVERSEAS MARKETS
SAPPIS GIANT, NIGERIAN MILL POISED

Finance Reporter

February 4, 1984
Mills, union on clash course

By STEVEN FRIEDMAN
Labour Correspondent

THE Paper, Wood and Allied
Workers Union (PWAU)
and Anglo American's Mondi
Paper seem headed for a
clash over the union's de-
mand to bargain wages with
Mondi.

Yesterday the PWAU is-
ued a statement saying
Mondi had not yet replied to
a union letter demanding
wage negotiations. It said it
had asked for a reply by Mon-
day and warned it would con-
sider action.

In a replying statement,
Mondi said it would respond
to the letter — but indica-
tions are that it will refuse to
bargain over wages directly
with PWAU.

The union, which claims to
represent a worker majority
at five of Mondi's six mills,
recently announced that it
had formed a joint wage re-
wards council. This had
brought together worker
leaders at the five plants
which had asked for nego-
tiations on wages and the com-
pany's group pension fund.

It is understood that
PWAU demanded a R3 an
hour minimum wage. Ac-
cording to the union, mini-
mum pay at Mondi mills
ranges between R1.30 and
R2.05 an hour — a claim on
which the company would
not comment yesterday.

Mondi replied that it would
only talk to the new council
under the auspices of the in-
dustry's industrial council
and with other unions in the
industry.

PWAU has so far rejec-
ted joining the council and
says the other paper unions
represent only white artisans
— about 5% of the workforce.
Pay row — strike looms

By PAT SIBLEY

ABOUT 200 workers at Nam- pak's Kimberley paper mill could strike legally after a dispute over 1984 wages ended in deadlock this week.

The workers, who belong to the Paper, Wood and Allied Workers' Union, will meet later this week to decide what to do.

A statement from the union said deadlock had been reached in a dispute over 1984 wages.

"After numerous meetings and after mediation, the company would not increase its offer above 25c an hour."

"The Paper, Wood and Allied Workers' Union is demanding an increase of 25c an hour. This will bring the minimum wage up to R1.98c an hour by July."

"Now that the dispute procedure is exhausted, either party is entitled to take appropriate action."

A spokesman for Nam-pak confirmed the statement.

Mr John McGahey, the group personnel manager, said there had been eight negotiating meetings and three meetings at which mediation had taken place.

The union and the company had failed to reach agreement during this time.

MATTER OF FACT

TO CORRECT specific errors of fact, write to the Editor or at P O Box 1138, Johannesburg, or telephone the Editor's secretary at 710-9111 between 8am and 3pm on weekdays.

If you have broader complaints about The Rand Daily Mail these can be taken up with the Mail Ombudsman, James McCurgh, e/o the Editor's secretary.

250 000 tax

Pretoria Bureau

THE Commissioner for Inland Revenue has intensified the hunt for more than 250 000 "tax delinquents" who have not yet submitted their returns for the 1982/83 financial year.

"We are proceeding as fast as the magistrates' courts can handle the cases," the chief director of operations for the Commissioner's Office, Mr S Albertyn, said yesterday.

"Up to 300 a month are coming before the courts in Pretoria, and 200 a month in

POLITICAL, comment in this issue by R. A. Gilson, Benji Benadretti, Payne Sunku and sub-editing by Paul Holmes, cartoon by David Anderson, all of 171 Main Street, Johannesburg.
CONSOLIDATED GLASS
Putting it all together

Consolidated Glass has long been the star industrial performer in the Anglovaal stable. Its impressive compound growth record over the past six years reflects the success of a decentralised management team which has operated in a monopolistic environment.

This needs some qualification. Though Consol's monopoly in glass containers was recently challenged by Nampak's entry into the glass packaging sector of the larger packaging sector has not diminished. And Consol's astute timing in expanding into other areas of packaging has considerably enhanced its long-term prospects.

Interestingly, the lines of control in the Anglovaal camp have been structured so that ultimate holding company Avhold (see chart), which owns the equivalent of 18% of Consol's equity, has effective control over a company with a market capitalisation double its own.

Anglovaal has clearly elected to adopt a management style that places operational control firmly in the hands of Consol's group MD Piet Neethling and his management team. Even so, head office plays an important role in evaluating the corporate strategies presented to the parent company's board by Neethling each year. On a broad basis, the strategic plan outlines Consol's short-term and longer-term objectives and is backed by a profit forecast which projects profits three years ahead. But even the best of plans can be upset by rapid changes in the consumer cycle, and changing tastes and preferences.

The packaging industry in SA has a combined turnover of some R2.5 billion and its growth rate outperforms that of the country's GDP by at least 1% per annum. This is because the trend is towards packaging as many different types of commodities as possible. Shelf appeal of any product, including vegetables, is enhanced by attractive packaging. The ingenuity of the industry continually creates new opportunities for growth.

Greater competition in the field of glass packaging prompted Consolidated Glass to diversify. A well-timed move into plastics and paper packaging should enable the company to maintain its momentum.

MD Neethling ... holding operational control

The kind of profits being made in glass packaging has naturally attracted competitors to a market previously monopolised by Consol. This has led to an intriguing fight for market share between Consol and its chief competitor, Nampak. Consol's glass operations comprise only 8% of the total packaging market. Nampak mounted its challenge last year when it followed its production debut from its R46m grassroots factory with an aggressive marketing cam-

Financial Mail March 2 1989
CONSORTIATED GLASS

Putting it all together

Consolidated Glass has long been the star industrial performer in the Anglovaal stable. Its impressive compound growth record over the past six years reflects the success of a decentralised management team which has operated in a monopolistic environment.

This needs some qualification. Though Consol's monopoly in glass containers was recently challenged by Nampak's entry into glass packaging, the role of glass in the larger packaging sector has not diminished. And Consol's astute timing in expanding into other areas of packaging has considerably enhanced its long-term prospects.

Interestingly, the lines of control in the Anglovaal camp have been structured so that ultimate holding company Avhold (see chart), which owns the equivalent of 18% of Consol's equity, has effective control over a company with a market capitalisation double its own.

Anglovaal has clearly elected to adopt a management style that places operational control firmly in the hands of Consol's group MD Piet Neethling and his management team. Even so, head office plays an important role in evaluating the corporate strategies presented to the parent company's board by Neethling each year. On a broad basis, the strategic plan outlines Consol's short-term and longer-term objectives and is backed by a profit forecast which projects profits three years ahead. But even the best of plans can be upset by rapid changes in the consumer cycle, and changing tastes and preferences.

The packaging industry in SA has a combined turnover of some R2.5 billion and its growth rate outperforms that of the country's GDP by at least 1% per annum. This is because the trend is towards packaging as many different types of commodities as possible. Shelf appeal of any product, including vegetables, is enhanced by attractive packaging. The ingenuity of the industry continually creates new opportunities for growth.

Greater competition in the field of glass packaging prompted Consolidated Glass to diversify. A well-timed move into plastics and paper packaging should enable the company to maintain its momentum.

LINE OF CONTROL

AVHOLD

- 150%

ANGLOVAAL

- 64%

ATI

- 36%

CONSOL

MD Neethling... holding operational control

The kind of profits being made in glass packaging has naturally attracted competitors to a market previously monopolised by Consol. This has led to an intriguing fight for market share between Consol and its chief competitor, Nampak. Consol's glass operations comprise only 8% of the total packaging market. Nampak mounted its challenge last year when it followed its production debut from its R48m grassroots factory with an aggressive marketing cam-
Union official arrested while trying to settle strike

By STEVEN FRIEDMAN
Labour Correspondent
A KEY official of Poqulu's Paper, Wood and Allied Workers' Union, Mr Jeremy Baskin, was arrested yesterday outside a Johannesburg factory where he had gone in an attempt to settle a strike.

His arrest follows those of two other union leaders in the past few weeks. Several unionists were also arrested in January after arriving at plants to intervene in strikes.

Mr Baskin was arrested yesterday morning and, by late yesterday afternoon, was still being held. A police spokesman who confirmed the arrest said, however, he was due to be released on bail.

According to the spokesman, Mr Baskin has been charged with holding an illegal meeting.

Recently Mr Skeki Sikahana, the general secretary of the Food and Beverage Workers' Union, was arrested outside a Potchefstroom plant where he had gone to settle a dispute.

And the chief shop steward of the Commercial, Catering and Allied Workers' Union, Mr Robert Mphize, was arrested under the Intimidation Act last week. Both men are facing charges.

According to a spokesman for the union, Mr Baskin's arrest followed a strike at an Amalgam factory. Transpo-

ly, over union recognition.

He said Mr Baskin went to the plant yesterday morning after learning of the strike and had found both West Rand Administration Board police — who were asking for workers' pass books — and SA Police.

Mr Baskin was, however, the only one arrested, he added.

He said the strike started because workers had been sacked for belonging to the union.

According to the paper workers' union spokesman, the plant's 85 workers approached management on Saturday to request recogni-

tion of the union.

Management responded by calling workers together and asking who the union's leaders in the factory were, the spokesman said. They had not replied, but management then fired 11 workers who it identified as union leaders.

On Sunday four night-shift workers, all members of the union standing committee at the plant, were fired, he added, and workers then downed tools.

According to the spokesman, the company is refusing to negotiate with the paper workers' union. Comment from the company could not be obtained yesterday.
An official of the Paper, Wood and Allied Workers' Union (PWWU), Mr. Jeremy Baskin, made a brief appearance in the Johannesburg Regional Court yesterday charged with convening an illegal gathering.

His appearance follows a strike on Monday at an Amalgam factory, Transporth, over union recognition.

Eighty-five workers are on strike.

Mr. Baskin was not asked to plead and the case was postponed to April 11.
Anglo’s Mondi set to haggle on bargaining

Labour Correspondent

AN ANGLO AMERICAN company Mondi Paper will meet the Paper, Wood and Allied Workers Union and other unions in the paper industry tomorrow in a final attempt to settle a key dispute on union bargaining rights.

The meeting will discuss a company plan to bargain directly with the union on wages — but only if the PWAWU agrees to negotiate together with other unions under the ambit of an industrial council.

The PWAWU has previously rejected these conditions. The union has declared two disputes with the paper company — Mondi’s refusal to bargain wages directly with it outside the paper and pulp industry’s official industrial council, and demands for a R3-an-hour minimum wage.

If the dispute is not settled the union, which claims majority membership at five of Mondi’s six mills, will be able to launch a legal strike or take industrial court action.

Union demands to negotiate outside industrial councils are a key issue in several industries and the dispute is a key test of strength for both sides.

The PWAWU recently formed a council of worker leaders at all Mondi mills where it claims majority support and wants the company to negotiate directly with it.

It says workers are “angered” by a 13c-an-hour pay rise negotiated at the industrial council in January and want a minimum of R3 an hour.

Mondi says it will bargain with the PWAWU only if it joins the industrial council and agrees to negotiate along with unions representing skilled workers. The PWAWU says these unions represent less than 10% of paper workers.

In a statement yesterday, the PWAWU said the two sides met at the industry’s industrial council last Thursday, but failed to settle the dispute.
Stoppages mar paper talks

Labour Correspondent

A MEETING between Anglo American Company Mondi Paper and unions, aimed at settling a key dispute between Mondi and Powa-
tu's Paper Wood and Allied Workers Union, was interrupted dramatically yesterday when members of PWAU at three of the company's mills staged work stoppages.

The meeting was still continuing last night and few details of the stoppages were available, but a brief company statement said the affected mills were those at Merebank, near Durban; Springs and Piet Steref.

A PWAU source said workers had been due to stage a lunch-hour demonstration at the mills in support of union demands. This, he said, could have been interpreted as a stoppage.

Recently, PWAU, which claims majority support at five of Mondi's six mills, formed a stoppage council composed of worker leaders at the five mills and demanded that Mondi negotiate directly with this council over wages.

The council also demanded a R3 an hour minimum wage for Mondi workers.

The company, which supports negotiations at official industrial councils, replied that it would only negotiate pay with PWAU if it joined the council and agreed to negotiate jointly with other unions in the industry.
Labour Correspondent

WORKERS at at least one mill owned by Anglo American's Mondi Paper - at Merenbank in Durban - are to hold a legal strike ballot on May 3 after talks between the company and their union failed to settle two key disputes.

This follows stoppages by workers at three Mondi mills during the talks - held on Wednesday. By yesterday strikers at all three had returned to work.

It is expected that workers at other mills could also hold strike ballots.

This could bring to a head two disputes between Mondi and the Paper, Wood and Allied Workers Union (PWAU) which are regarded as key tests for both sides.

The PWAU has declared a dispute with the company over its demand that minimum pay be raised to R3 an hour and also over Mondi's refusal to bargain directly with it on wages instead of at an official industrial council.

Wednesday's meeting, which was attended by other paper unions besides the PWAU, was held to discuss a Mondi plan allowing for direct wage talks if all paper unions take part and the PWAU joins the industry's industrial council.

While progress was made towards a settlement, this foundered when Mondi refused to set a date for pay talks until PWAU joined the council.

The union plans to hold a ballot among members on whether or not to join the council but has not yet decided when this will be held. No date was set, therefore, and the threatened strike ballots stem, according to the union, from worker dissatisfaction at delays in arranging the talks.

Wednesday's meeting was interrupted when workers at Mondi's Springs, Piet Retief and Merenbank mills downed tools in support of the PWAU's demands.

A union statement said the stoppages lasted between two and six hours and involved 33 workers at Piet Retief, 250 at Springs and 150 at Merenbank.

Springs and Piet Retief workers resumed work on Wednesday, and those at Merenbank yesterday. But Merenbank workers gathered at noon to hear the outcome of the talks and were dissatisfied when told no date for negotiations had been set. As a result, they decided to hold a strike ballot.

At Wednesday's meeting, the union said, it had agreed to negotiate along with other unions on wages at an interim measure for this year.

It wanted negotiations to cover all Mondi's operations, to be company-wide as some unions on different products. Progress had been made towards settling this, but no finality was reached.

Mondi's refusal to set a date for wage talks until the union joined the council would mean an indefinite delay, the PWAU said, because it was not possible for the union to say when its ballot on this issue would be held.

A Mondi statement said talks continued on Wednesday - "notwithstanding" the stoppages.

Mondi said it would now report on the talks to the industrial council.
MEMBERS of the Paper, Wood and Allied Workers' Union employed by Anglo American's Mondi paper mills are to hold a legal strike ballot next week following a deadlock over two disputes between the two parties.

The union's general secretary, Mr Refiloe Ndazuta, yesterday said that hundreds of workers at Pietermaritzburg and Merckens in Springs who held a work stoppage last week had all returned to work.

The workers had stopped work following a dispute between the parties over the union's demand for a minimum wage rate to be increased to R3 per hour and over Mondi's refusal to bargain directly with it on wages instead of the industrial council.

She also said that the union was planning to hold a ballot among members on whether or not to join the council. The date of the meeting will be discussed in Durban on Sunday.
Bosses at Barlow paper firm are 'union bashers'

By PHILLIP VAN NIEKERK

ABOUT 500 workers from the Uniply plant at Cato Ridge, near Durban, were waiting yesterday to hear if management was going to sack them all, reopen talks with their trade union or close the factory down.

"The workers were suspended at full pay on Monday after they went on a series of strikes and work stoppages and finally a go-slow, in protest against the company's sacking of shop stewards who were involved in organising a May Day demonstration.

The workers first struck on May 3 after four shop stewards were fired, following the demonstration. After an appeals committee hearing, at which two of the shop stewards were reinstated, workers struck again.

On Tuesday, management suspended all the workers who were on a go-slow, and informed the union they were considering several options, which included closing the plant, firing all the workers, reducing the workforce, or settling the plant's labour problems.

A spokesman for the Paper, Wood and Allied Workers' Union (PWAU) said they saw the threat to close the factory as a union-bashing technique, as the union was particularly strong in the Uniply factory.

She said this was consistent with the tougher line now being taken toward emerging unions by Barlow Rand, owners of Uniply.

Mr Leon Conradie, human resources executive for Barlows' building division, said the proposal to close the factory was one of several options which the company faced, and was "obviously not an attempt by Barlows to crush the union".

Mr Conradie said the company had not yet reached a final decision.
Rival packaging giants in massive cash and asset exchange

By DAVID ROSS

JOHANNESBURG. — Kohler, Nampak, and Nampak’s subsidiary Metal Box, the listed major SA packaging companies, today announce a swap of assets which also involves cash for Kohler.

Kohler is to sell to Nampak the businesses of Masterform and Tension Envelope. The price is R12.5m in cash.

Conditional upon this transaction, Kohler will acquire from Metal Box the Safepak business for R5.5m in cash.

Mr Ian Willis, managing director of Kohler explains that Safepak operates within the monoboard area of flexible packaging, making such items as the zippered plastic bags used by banks.

He feels that it is a further opportunity for Kohler to build up its interests in flexible packaging. Kohler has identified this area as one with prospects of growth.

Kohler’s sale of Masterform and of Tension Envelope, which constitutes Kohler’s business systems division, is in Mr Willis’ view, a continuation of the strategy which led to the sale of Palladium Stationers last year.

At the same time the cash differential of R7.2m will help Kohler to reduce its level of borrowings. Mr Willis says that the debt/equity ratio of the group, which stood at 80% at the year-end, is already down below 60%, before taking account of the latest deal. He believes that by the current year-end it will be “well below 60%”.

On the other side of the deal Mr Derek Jacobs, managing director of Nampak notes that continuous business stationery manufacture is a sophisticated process, which Nampak believes it can contribute to, especially in the print area.

Nampak is presently involved in such activities in Durban. The acquisitions will give the group businesses in both Johannesburg and the Cape, so to make its operations in this field country-wide.

Nampak, says Mr Jacobs, also sees this as an area in which it can diversify away from strictly packaging activities.

The Kohler strategy, which Mr Willis describes as to get the group back to being a packaging business”, appears to be just the reverse.

Mr Willis says that the deal helps Kohler “to make things tidy.” We welcome the Nampak people who operate Safepak into our group”, he says.

COMMENT: The deal makes sense for both parties. On the other hand, while Kohler appears at first sight to be getting the better part of the bargain, monoboard operations are not especially high-tech, and it is not difficult to set up in them. Nampak is especially involved in the field of multi-layer flexible packaging, which involves higher-tech processes.

The news that Kohler is getting its debt/equity ratio down as quickly as it appears to be doing will be welcomed by analysts.

Prices of the transactions are based upon not book asset values, so will have no effect on net asset values of either Nampak or Kohler. There will also be no material effect upon their earnings.

CLOSING GOLD PRICES

(In $ per ounce)

| LONDON | 376.00-376.50 |
| Fixed am | 375.00 |
| Fixed pm | 375.60 |
| ZURICH | 374.00-377.00 |

— Reuters

Unit trusts

JOHANNESBURG. — Yesterday’s quotations for Mutual Funds are:

<table>
<thead>
<tr>
<th>Fund</th>
<th>Buyers</th>
<th>Sellers</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Mutual</td>
<td>372.15</td>
<td>372.15</td>
<td>0.64</td>
</tr>
<tr>
<td>Nip</td>
<td>372.25</td>
<td>372.25</td>
<td>0.64</td>
</tr>
<tr>
<td>UAL</td>
<td>372.35</td>
<td>372.35</td>
<td>0.64</td>
</tr>
<tr>
<td>UAL/M</td>
<td>372.45</td>
<td>372.45</td>
<td>0.64</td>
</tr>
<tr>
<td>Sats</td>
<td>372.55</td>
<td>372.55</td>
<td>0.64</td>
</tr>
<tr>
<td>Standard</td>
<td>372.65</td>
<td>372.65</td>
<td>0.64</td>
</tr>
</tbody>
</table>

— Sapa

Mid-East tension boosts dollar

LONDON. — The dollar surged against other major currencies yesterday, boosted by increasing tension between Iran and Iraq and economic data which showed the American economy roaring ahead.

The yen reached its highest levels for 5 months against the Australian dollar, which closed at 63.90 US cents in Sydney.

Yen vulnerable

New Iraqi attacks on oil tankers and ships in the gulf were a major factor behind the dollar’s rise, particularly “against the yen, which is vulnerable to threats to Japan’s oil supply.

The dollar rose to 234.20 yen in Tokyo, shortly after Iraq announced it had attacked two more ships in the gulf, and eased back after profit-taking ahead of the weekend. It was later quoted at 233.30 yen in London.

The yen could weaken further if the gulf situation worsens,” said one Tokyo dealer.

Also aiding the dollar yesterday was the interest rate differential, which is now nearly 2% in favour of the dollar.

The American dollar is widely seen as a haven for investors in a tense world.

Sterling, the petro currency, continues to rise and is now at $1.54, up from 1.53 in the previous session.

The yen has been the world’s worst performing currency this year, losing about 4% against the dollar in the first half of the year.

Despite current unfavourable conditions against the yen, dealers say they expect it to hold steady with the central bank buying the currency soon after the close.

Every day, however, the yen slipped in value against the dollar from the end of the previous session.

Net imports

Despite the current unfavourable conditions against the yen, dealers say they expect it to hold steady with the central bank buying the currency soon after the close.

Every day, however, the yen slipped in value against the dollar from the end of the previous session.

Net imports

Despite the current unfavourable conditions against the yen, dealers say they expect it to hold steady with the central bank buying the currency soon after the close.

Every day, however, the yen slipped in value against the dollar from the end of the previous session.

Net imports

Despite the current unfavourable conditions against the yen, dealers say they expect it to hold steady with the central bank buying the currency soon after the close.

Every day, however, the yen slipped in value against the dollar from the end of the previous session.

Net imports

Despite the current unfavourable conditions against the yen, dealers say they expect it to hold steady with the central bank buying the currency soon after the close.

Every day, however, the yen slipped in value against the dollar from the end of the previous session.
Rival packaging giants in massive cash and asset exchange

By DAVID ROSS

JOHANNESBURG. — Kohler, Nampak, and Nampak's subsidiary Metal Box, the listed major SA packaging companies, today announce a swap of assets which also involves cash for Kohler.

Kohler is to sell to Nampak the businesses of Masterform and Tension Envelope. The price is R12.5m in cash. Conditional upon this transaction, Kohler will acquire from Metal Box the Safepak business for R5.2m in cash.

Mr Ian Willis, managing director of Kohler, explains that Safepak operates in the monoweb area of flexible packaging, making such items as the zippered plastic bags used by banks.

He feels that it is a further opportunity for Kohler to build up its interests in flexible packaging. Kohler has identified this area as one with prospects of growth.

Kohler's sale of Masterform and of Tension Envelope, which constitute Kohler's business systems division, is in Mr Willis' view, a continuation of the strategy which led to the sale of Palladium Stationers last year.

At the same time the cash differential of R7.2m will help Kohler to reduce its level of borrowings. Mr Willis says that the debt/equity ratio of the group, which stood at 80% at the past year-end, is already down below 60%, before taking account of the latest deal. He believes that by the current year-end it will be "well below 60%".

On the other side of the deal Mr Derek Jacobs, managing director of Nampak notes that continuous business stationery manufacture is a sophisticated process, which Nampak believes it can contribute to, especially in the print area.

Nampak is presently involved in such activities in Durban. The acquisitions will give the group businesses in both Johannesburg and the Cape, so to make its operations in this field country-wide.

Nampak, says Mr Jacobs, also sees this as an area in which it can diversify away from strictly packaging activities.

The Kohler strategy, which Mr Willis describes as to get the group back to being a packaging business, appears to be just the reverse.

Mr Willis says that the deal helps Kohler "to make things tidy". "We will welcome the Nampak people who operate Safepak into our group", he says.

COMMENT: The deal makes sense for both parties. On the other hand, while Kohler appears at first sight to be getting the better part of the bargain, monoweb operations are not especially high-tech, and it is not difficult to set up in them. Nampak is especially involved in the field of multi-layer flexible packaging, which involves higher-tech processes.

The news that Kohler is getting its debt/equity ratio down as quickly as it appears to be doing will be welcomed by analysts.

Prices of the transactions are based upon net book asset values, so will have no effect on net asset values of either Nampak or Kohler. There will also be no material effect upon their earnings.
Sacked workers march in protest

Labour Reporter

FIVE hundred discharged Uniply workers staged a protest march to the factory in Cato Ridge yesterday, after deciding to make an urgent application to the Industrial Court for an order to have them reinstated.

Police kept a close watch and there were no incidents. On arriving at the factory gates, the workers were handed their pay packets which they accepted. They then left the factory.

Speaking after an earlier workers' meeting in Inchanga, Miss Pat Horn, Natal branch secretary of the Paper, Wood and Allied Workers' Union, said union legal advisers were being briefed and it was likely that a court application would be made.

"In terms of Section 43 of the Labour Relations Act, temporary relief for reinstatement may be sought pending the appointment of a conciliation board by the Minister of Manpower," she said.

The workers had decided to accept their pay, but they did not consider themselves dismissed, she added.

The entire workforce of 550 was fired last week after a go-slow campaign in protest against the dismissal of two shop stewards, fired for allegedly organising a May Day demonstration at the factory.

Among those dismissed were some with more than 10 years' unbroken service. Mr Bhuka Bhelelwane, 78, said he had 14 years' service with the company and he was worried that he would not find alternative employment because of his age. A spokesman for Uniply said it was the prerogative of discharged workers to make a court application if they so wished.

He said he was pleased that they had collected their wages which had been available since Friday.
Labour Briefs

Once the retail union had been formed, a mandate would be obtained from members whether or not to apply for a place on the feasibility committee which is drawing up proposals for a new union federation.

Mr Khumalo said he did not think the new union (RAWU) would constitute a threat to the Commercial, Catering and Allied Workers Union.

After two years of negotiations, Bakers biscuit company has signed a recognition agreement with the Sweet, Food and Allied Workers Union (SFAWU).

The agreement covers the union’s 700 members at the company’s Westmead factory near Pinetown. SFAWU have already embarked on negotiations and have preliminary agreements with two other factories in the Bakers group — in milling and the bread and cake division.

In an out-of-court settlement, the Transvaal packaging firm Transpoly has agreed to pay R35,000 to 40 of the 72 striking workers dismissed from the plant in March.

The remaining 32 workers who were fired are to be reinstated.

The settlement signifies a major advance for the Paper, Wood and Allied Workers’ Union (PWWAU), which has also been recognised by Transpoly as the representative union in the plant.

PWWAU’s initial attempts at meeting management to discuss a recognition agreement were cut short when the company started dismissing union activists.

The action led to an 18-day strike by 74 workers at the plant. The police were called to the scene and management reportedly refused to talk to the union. A union organiser was arrested and charged under the Intimidation Act as a result of the strike.

As part of the settlement, negotiations have already begun between the union and management.

A December deadline has been set for the dissolution of the General Workers’ Union of South Africa, after which the union will officially re-emerge as the Retail and Allied Workers’ Union (RAWU). The president of the Pretoria-based union, Mr Donsie Khumalo, said the intent was gradually to transform the general union into an industrial union.

“Our strongest element is in the retail trade, in Pick n Pay’s northern Transvaal division where we have over 50 percent membership,” he said.
Union in council U-turn

Mail Reporter

THE Paper, Wood and Allied Workers' Union (Pwawu) has decided to join the industrial council for the pulp and paper industry.

This represents a major change in direction for the union, an affiliate of the Federation of South African Trade Unions (Fosatu). In the past it has refused to participate in the council.

According to an article in Fosatu Worker News, the decision was taken in order to 'step up our fight against the hard-pressed paper bosses'.

A Pwawu organiser said the union had put forward eight conditions for joining the council, four of which had been partially met.

She said the union would continue its fight for the right to plant-level negotiations.

Pwawu claims 7,000 members, 4,000 of whom are in the pulp and paper industry. This means Pwawu has more than three times more members than the total of the other unions sitting on the council.

The union says the decision to join the council paves the way for a resolution of the wage dispute with Mondi and means that from October, black workers will be represented in the council's wage negotiations for the first time.

The National Automobile and Allied Workers' Union (Naawu) has negotiated a large minimum increase from R1.38 to R2.15 an hour for workers in the Eastern Cape tyre and rubber industry.

This was the first time Naawu had participated in the industrial council for the industry and the first time black workers had direct representation on the council.

A Naawu statement this week said the increases represented a "major step forward in the campaign to move minimum wages to an acceptable living standard in this industry".
THE Paper, Wood and Allied Workers' Union (PWAWU) has announced its intention of joining the industrial council for the pulp and paper industry, ending its long-standing objections to serving on the council.

The union argues that they have three times as many members as the unions already on the council and, while they will be continuing their fight for the right to plant-level negotiations, there are a number of benefits to be had from joining.

Not least is that black workers will, for the first time, be directly represented in the council's wage negotiations.

Anyone who doubts the effectiveness of this need merely ponder the fruits of the National Automobile and Allied Workers' Union's (Naawu's) first effort on the industrial council for the Eastern Cape tyre and rubber industry.

Minimum wages in the industry have been upped from R1.38 an hour to R2.15 an hour, an increase of almost 60%.
M & R expansion in glass

The Murray and Roberts group has extended its glass interests through an agreement reached by its subsidiary, Elgin Glass, with Hulett Glass and Aluminium.

In terms of the agreement, Elgin Glass will supply float glass to Hulett Glass and Aluminium, which supplies both the domestic and industrial markets.

After the deal was announced in Johannesburg yesterday, Elgin Glass managing director Mr Shane Moore said his company would absorb the glass stocks of Hulett Glass and Aluminium, which are concentrated in the Johannesberg, Durban and Cape Town areas.

Mr Andre van Nickerk, 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 aluminium products, of which they are merchants to the consumer market."

The deal coincides with a price war that has been raging in the flat glass business for some months. — Sapa.
Go-slow workers lose their jobs

PORT ELIZABETH — Breaker-builder workers on a go-slow for higher pay at Goodyear Tyre and Rubber Company, Uitenhage, since early this week, have lost their jobs.

The director of public affairs at Goodyear, Mr Mike Selley, said today the workers had "voluntarily broken their contract" by not returning to work and were to be replaced.

He said management had repeatedly asked them to stay on at work while negotiations between the National Automobile and Allied Workers' Union (Naawu) and management were underway.

On Tuesday, 200 workers in the radial tyre production unit had to be sent home because, as a result of the go-slow, there were not enough components.

"But already production has suffered temporarily," Mr Selley said.

The 200 were all present today. This dispute is to be referred to the industrial council.

The secretary of Naawu, Mr Fred Sauls, refused to comment on the issue. — Sapa.

Strikers are fired

Own Correspondent

DURBAN — The 120 workers who went on strike at Dunlop Sports in Durban in solidarity with 1 200 colleagues who were fired last week, were all dismissed yesterday.

Mr Glenn Sutton, personnel manager for Dunlop, said the stoppages were unlawful and that when workers ignored warnings to return to work they were dismissed.

• The 1 500 striking Lever Brother workers returned to work yesterday after being on strike for eight days in support of a 20 percent general wage increase.
Strikers return to Dunlop plants

by Carolyn Dempster, Labour Reporter

The four-week strike by 1,900 Dunlop workers in Durban and Ladysmith ended yesterday when strikers returned to work at three plants.

Their return signalled a significant victory for the Metal and Allied Workers' Union (Mawu) as Dunlop agreed to the unconditional reinstatement of the striking workers.

The strike was caused by the dismissal of five workers from the Dunlop Durban tyre plant last year.

Last week, negotiations between the company and Mawu broke down when Dunlop insisted that employees return as new workers — with a consequent loss in benefits — and under new conditions of employment.

These conditions were rejected at a meeting of Mawu members who resolved to continue the strike at the Durban tyre plant, the Sport Division and the Ladysmith tyre plant until management resolved their grievances and reinstated them.

CAPITULATED

Dunlop capitulated on Friday and the strikers clocked in on Monday morning after a victory march to the factory.

In a statement issued yesterday Mawu said it would meet British unions to hold more talks on the boycott of Dunlop products and the international campaign against the company which was planned before the dispute was resolved.

"Mawu believes that the workers at Dunlop have, through their unity and solidarity, won a massive victory against an anti-union company. They have demonstrated that the workers' movement has reached new heights," the statement said.

Mr. Glen Sutton, industrial relations spokesman for Dunlop, was not available for comment.
Sappi: Transkei option still open

EAST LONDON — The managing director of Sappi (Ltd), Mr E. A. van As, yesterday denied that his firm had shelved a project to establish a R27 million particle board plant in Transkei.

He was commenting on a Sunday newspaper report which claimed that Sappi Novoboard had put the proposed project on ice “because of the recent takeover bids of private companies and sacking of top management of the Transkei Development Corporation”.

“This is definitely not true,” he said.

“The truth of the matter is that our proposed plans are still in the feasibility study stage and have not yet reached any finality”, he added.

Mr Van As said the proposed scheme would be a joint venture between Sappi and the TDC.

“But neither the TDC nor Transkei Government has yet given any cast-iron commitment that they are interested,” he added.

“We cannot go ahead with the project until we get a definite reply from the TDC and Transkei Government or until we have completed our feasibility studies,” he said.—DDR.

Pilot dies

JOHANNESBURG — A veteran pilot and former Springbok glider, Mr Helmut Lasch, was killed at the weekend in an aircraft crash.

Mr Lasch, who was Mr Nikki Oppenheimer’s father-in-law, was flying solo in a DC 400 power glider which crashed as he was about to land at an airstrip in Parys.

Members of his family
Trade unionists are wondering whether their recent successes in the Industrial Court set the true pattern for future decisions — or whether the parameters are changing. Two recent decisions that went against them in Natal have raised doubts.

In the case of the Paper Wood and Allied Workers' Union (PWAUWU) v Uniply, the union sought the reinstatement of two shop stewards who it alleged had been unfairly dismissed. In a separate action, it applied for the reinstatement of the entire workforce, which had been dismissed following a strike over earlier dismissals.

The court found that the shop stewards had not been unfairly dismissed. There was sufficient evidence to justify dismissal. In the case of the remainder of the workforce, it found that they had precipitated their own dismissal by walking off the job and not following strictly the procedures laid down in the Labour Relations Act.

A similar judgment was handed down in the case of the National Union of Textile Workers (NUTW) v Lanalex. In this instance, two workers were allegedly unfairly dismissed. The firing was followed by the dismissal of two shop stewards who protested on their behalf and, finally, the entire workforce, who had come out in support. Here the court found that the workers and the two shop stewards had, in fact, been unfairly dismissed and ordered their reinstatement.

But it did not reinstate the other workers because they had acted unilaterally and, in so doing, had placed themselves outside of the law.

Both judgments, says labour lawyer Chris Albertyn, create serious problems for trade unionists. "It appears," says Albertyn, "that the courts are not coming to the assistance of workers facing mass dismissal where the proper procedures have not been followed."
Union threatens to quit paper council

By PHILLIP VAN NIEKERK
POSATUS Paper, Wood and Allied Workers' Union (PWAU) — the biggest union in the industrial council for the pulp and paper industry — has threatened to quit the council only months after joining because of the employers' refusal to make a realistic wage offer.

The threat was made on Friday when the annual negotiations for the 10 000 workers covered in the council's industry-wide agreement began in Johannesburg.

A PWAU statement at the weekend said the union would seriously reconsider its position in the industrial council if the "employers persist in playing games".

Employer parties to the council include Anglo American's Mondi, Gencor's Sappi and Carlton and Barlow Rand's Nampak.

The PWAU — which claims to represent about 4 300 workers in 11 mills — is demanding a minimum R2.30 an hour, from R1.36 an hour, with a minimum increase of between 60c and 90c an hour depending on grades.

Other demands include a call for a 13th cheque holiday bonus, a reduction of the working week to 40 hours, a shift allowance of R2 per shift, declaring May 1 a public holiday and a service allowance of three cents per hour for each year.

The employers restricted their offer to wages, offering seven cents an hour — a 5% increase on the industrial council minimum rate.
Pulp union rejects employers 5% offer

By Carolyn Dempster
Labour Reporter

The Paper Wood and Allied Workers' Union (Pwawu) has attacked employers for "playing games" in the opening round of Industrial Council negotiations covering 10,000 workers in the pulp and paper industry.

Pwawu rejected outright the employers' offer of a five percent increase which would bring the minimum wage in the industry to R1.45 an hour.

Union demands included a minimum wage of R2.50 an hour, a 13th cheque, a 40-hour working week, May 1 as a paid holiday, an allowance of R2 a shift and a service allowance of three cents an hour for every year of service.

Employers represented at the talks in Johannesburg last week included Anglo American's Mondi paper group, General Mining Corporation's subsidiaries Sappi and Carlton Paper and the Nampak group which falls within the Barlow Rand fold.

Pwawu is the largest union represented in the Industrial Council negotiations, with 4,500 members at 11 mills. Other unions taking part in the negotiations are the SA Electrical Workers' Association, the SA Boilermakers' Society and the Amalgamated Engineering Union of South Africa.

Miss Refiloe Ndzuta, general-secretary of Pwawu, said the unions party to the talks had presented a unified front.

"However, Pwawu will have to seriously reconsider its presence on the Industrial Council if the employers persist in playing games," she said.

This is the first year that Pwawu has been a party to the national negotiations. Miss Ndzuta said union officials would report back to their members.
Carlton Paper workers strike

Mail Reporter

MORE than 100 workers at the Carlton Paper mill at Wadsville, Germiston, have been on strike since Wednesday in protest against the dismissal of a fellow worker.

A statement from the company said the strike began after a worker had been dismissed earlier this month for "threatening to kill another worker" in June.

It said the Paper, Wood and Allied Workers' Union had objected to the dismissal and declared a dispute on July 16.

"In terms of the recognition agreement between the union and the company, the dispute-resolving procedure — including the use of an independent mediator — was followed, but this failed to resolve the dispute," the statement said.

The worker, who had been suspended on full pay since June 25, was finally dismissed by the company on October 6 when the union rejected Carlton's proposal that they seek arbitration, the statement said.

The Rand Daily Mail was unable to get comment from the union yesterday.

"Production is not being affected, as contingency plans have been put into effect," the company statement said.
Conso1 expands
in Western Cape

CONSOL LTD, the diversified Anglovaal packaging group, is continuing its expansion programme.

In the latest development, the managing director of Conso1 Paper Packaging (Pty) Ltd, Mr Gert du Toit, announced the acquisition of Wilder Packaging (Pty) Ltd, a corrugated container manufacturer situated at Atlantis.

According to Mr Du Toit, the corrugated container market in the Western Cape is the second largest in South Africa and the acquisition will increase the company’s share of the corrugated market to 25 percent in the region.

Conso1 first entered the paper packaging market with the acquisition in 1980 of the Time Packaging Corporation (Pty) Ltd at Alirode.

Subsequently, Conso1 established an operation at Uits River and in June of this year a third corrugated container factory, at Phoenix Industrial Park, near Durban, was commissioned.

**Operations**

The corrugated container operations in the three major areas of Transvaal, Western Cape and Natal enable the group to supply corrugated cartons on a national basis.

A further diversification was in liquid packaging with the establishment of Conso1 Liquipak Cartons which produces polycoated gabled top cartons for the dairy, fruit juice, sorghum beer and magau markets at Phoenix Industrial Park.

“The consolidation of the two operations, in the Western Cape into one factory will improve the work load with resultant productivity benefits,” says Mr Du Toit.

“The combined operation will be well equipped to service both the industrial and agricultural markets.”

The chairman of Wilder Packaging, Mr Leon Wilder, says that his company has established itself as a strong competitor with a good market share in the Western Cape and that financial budgets and pro
A DISPUTE in the pulp and paper industry was averted this week when employers agreed to negotiate wages at plant level.

Negotiations by the Pulp and Paper Industrial Council reached a stalemate when the unions participating refused to accept increases offered by the employers.

The unions involved are the Foratu-affiliate Paper Wood and Allied Workers Union, Amalgamated Engineering Union and the National Union of Sugar Manufacturing and Refinery Employees.

In a statement, PWA-WU's general secretary said that the employers' offer was too low.

"Eventually employers broke the deadlock by offering plant level bargaining which we are very happy to accept," he said.

The union started fighting for the right to negotiate wages at plant level since it began organising in industry in 1980. It had succeeded in winning this right at Nampak and Carlton Paper, but the two giants in the industry, Anglo American's Mondi and Gencor's Sappi insisted that negotiations should be held at national level only.
AFTER years of resisting joining the industrial council for the pulp and paper industry because they wanted to negotiate wages at plant level, Posatu's Paper, Wood and Allied Workers' Union (PWAUW) became an industrial council member this year.

The union was forced into this position by the refusal of some of the major employer parties – Anglo's Mondi and Gencor's Sappi – to negotiate at plant level.

Which is why the recent deadlock of industrial council talks between PWAUW and the employers are especially significant.

The employers have now agreed to break the deadlock by negotiating at plant level.

So what the PWAUW could not achieve outside the council, it achieved by joining the council: that is, ironically, not having to negotiate at the council.
The trend for 1998 between 15% to 20% in June. The next year, with an annual consumption of 450,000
yard, we expect to produce 15 million yards of fabric, which is a significant increase from the previous year.

Packaging Kings, Right for Business

By: Paulina White

WAGE NEGOTIATIONS

Recession blues

The annual wage negotiations at African Explosives and Chemical Industries (AECI) have reached a critical point as unions report the company’s latest offer back to their members. Twelve unions are negotiating on behalf of the 15,000 workers at AECI’s Modderfontein, Somerset West, Midlands (Sasolburg) and Umbogintwini plants.

According to a union source, the company has rejected the union’s 20% demand and has made a counter offer of 15% for lower-paid workers and 10% for more skilled ones. AECI’s offer will raise the minimum wage in the company to R400.90 a month.

The SA Chemical Workers’ Union (Sacwu), an affiliate of the Council of Unions of SA, represents the majority of black workers while the SA Allied Workers’ Union (Sawu) represents a small portion. Other unions involved include the SA Boilermakers’ Society, the Amalgamated Engineering Union, the SA Iron, Steel and Allied Industries Union, the SA Electrical and Allied Workers’ Union, and five other all-white conservative unions.

Boilermakers’ assistant general secretary Ookie Oosthuizen says he “doubts that the unions will accept the company’s offer.” He foresees the possibility of a dispute being declared with the support of most of the unions.

The black unions, though, are likely to tread cautiously this year. Last year’s wage dispute led to the first-ever national legal strike by more than 8,000 Sacwu and Sawu members at the four plants. They returned to work after four days without winning any gains in response to a management ultimatum to return or be dismissed.

Both AECI and Sacwu have declined to comment on the progress of the talks. Sacwu could not be contacted.

In other developments in end-of-year wage negotiations:

☐ The Commercial, Catering and Allied Workers’ Union of SA (Ccawuwa) has declared disputes with 3M and Checkers. At 3M the union has rejected an across-the-board offer of R64/month and is demanding increases ranging from R100 to R190. A 3M spokesman says the company is still willing to negotiate provided the union reduces its demand to more “realistic” levels.

A Ccawuwa spokesman argues that the US parent company pays a minimum $4/hour and that the local subsidiary is “taking advantage of cheap black labour” in SA. The dispute, which involves 280 employees, is being referred to mediation.

The Checkers dispute has also been referred to mediation which is due to begin this week.

☐ The Paper, Wood and Allied Workers’ Union (Pwawu) is to negotiate wages at plant level with Mondi and Sappi after rejecting an employer offer for an 18c/hour increase at the Industrial Council for the Pulp and Paper Manufacturing Industry.

Breakthrough

According to Pwawu, this constitutes a breakthrough as previous efforts to convince the two companies to negotiate outside the council have been unsuccessful. The irony is that Pwawu, an affiliate of the Federation of SA Trade Unions, has been a vociferous critic of the industrial council system. It only joined the council after Sappi and Mondi refused to negotiate at plant level.

There has been speculation that the reason the two companies agreed to this step, after resisting it for so long, is that they could not agree on whether to increase the wage offer at the council. Spokesmen for both Sappi and Mondi declined to comment.

The two other major companies in the industry, Nampak and Carlton Paper, have already granted Pwawu this concession.

☐ Industrial council negotiations in the troubled eastern Cape motor industry are in progress. The parties are tight-lipped about developments, although one employer source says some clarity about whether any agreement is imminent should emerge this week after a further meeting between the parties.

The decline in the motor vehicle market has led to thousands of retrenchments in recent months. There has also been unconfirmed speculation that the amalgamation of Ford and Amcarm will lead to a “rationalisation” programme which will shrink the Ford plant and make up to 2,000 more workers redundant.

---

Financial Mail November 30 1984
THE Transvaal town of Piet Retief is becoming a focus of black unionism.

Posatu’s Paper, Wood and Allied Workers Union (PWAWU) is organising in the area and claims worker majorities at four companies and a membership of about 800.

In August, it formed a shop stewards council there.

It began recruiting in the area because Anglo American’s Mondi Paper has a mill there and PWAWU sought to organise all Mondi mills.

Predictably, PWAWU says pay and conditions in the area lag far behind those in the cities and that police have intervened to question union members.

But Piet Retief is a key forestry centre and PWAWU seems determined to extend its influence there.
company hit by strike

Labour Reporter

ABOUT 200 workers at Syuko Paper Company in Jacobs went on strike yesterday, on the eve of the company's closure for the year-end holidays, and demanded a refund of money deducted from their pay for union dues.

According to Mr Isaac Ngcobo, a spokesman for the workers, the entire black workforce had resigned from the South African Typographical Union and joined another union but deductions were still being made in favour of the SATU.

They claimed that they were no longer members of SATU and had since joined the Printing and Allied Workers' Union, an affiliate of the South African Allied Workers' Union.

Refunded

Mr Ngcobo, who is national treasurer of SAAWU, said the workers downed tools yesterday and requested that their money be refunded before 3 p.m. today when the factory shuts down for the December holidays.

He said the SATU had a stop order with the company for deductions from its members' wages.

The workers petitioned both the union and the company to cancel the stop order, but to this day there has been no response from either the company or the union, he said, adding that workers were angry and went on strike.

Officials of the SATU were not available for comment yesterday.

A spokesman for the company confirmed that the workers had downed tools and added that the management were at a meeting trying to resolve the problem.
Casualties forecast in package industry

JOHANNESBURG - More independent corrugated packaging suppliers will be going to the wall says Mr Ron Glaister, managing director of Coro-Pack in Pietermaritzburg.

The giants of the R2.6 billion packaging industry are Nampak-Metal Box, which has 40 per cent to 48 per cent of the market, Kohler-DRG-Xactics with 15 per cent and Consol with 10 per cent.

The independents cater for the remaining 30 per cent of the market.

The South African corrugated packaging market is worth R350 to R400 million a year and in the past 18 months there have been numerous new independent entrants to the marketplace.

The giants have expanded their marketing activities territorially with Consol for instance entering the Natal corrugated market.

The expansion by the giants and the competition from independents has led to a price war situation.

The "dog-eat-dog" situation which exists in Natal and the Transvaal at the moment will continue at least until February 1985 when Mr Glaister expects a shake-up in the status quo.

He believes those independents that survive to the middle of next year will be assured of a future in packaging.

The independents that will go under he says "are those, who haven't entrenched themselves sufficiently in the market or who have not managed to get themselves fully operational quickly enough."

"They are victims of a negative economy and the severe price cutting in the industry at the moment."

He notes that independent corrugated packaging suppliers who are marketing aggressively with the right product will survive the poor economic conditions and the heavy pressure from the giants of the industry.

"Despite the attrition which has taken place, there is no doubt in my mind that the future of independents, if they are sufficiently professional is assured if only as an alternative source of supply." — DDC.
CAPE teachers' paid -

CAPE teachers whose November salaries were withheld have been paid, after they threatened to take legal action.

A spokesman for the 2,000-strong Western Cape Teachers' Union said the union instructed attorneys to act on behalf of all teachers whose pay had been withheld for allegedly refusing to administer exams.

The teacher included the staff of Harold Cressy High School in Cape Town, about 27 teachers at Cathkin Senior Secondary School in Heidelberg and a number of teachers at Alexander Sinton Senior Secondary School in Athlone. - Sapa.

No change in tax from gold -

DESPITE a rand price of gold that is likely to continue its record levels next year, total tax receipts from gold are not expected to increase.

In fact, as a proportion of total state revenue, gold mine tax receipts will decline.

They now account for about 10% of the R30bn tax receipts, but will probably be down to 8.5% next year.

Louis Geldenhuys, economic consultant at stockbrokers George Hayamner and Partners, estimates that gold receipts will be R23bn, rather than the official estimate of R24.4bn.

First-quarter 1986 tax receipts will show an increase on the corresponding period in 1985 because the tax surcharge increase from 20% to 25% was imposed at the end of March this year.

Kohl's standing in polls rises -

BONN - Chancellor Helmut Kohl's government, buffeted over the past year by scandals and low popularity ratings, has made a powerful comeback in opinion polls as West Germany gears up for a year-long election campaign.

An authoritative survey by ZDF television this week said Kohl's Christian Democratic party (CDU) had moved ahead of the opposition Social Democrats (SPD) for the first time in nine months and that the Chancellor's personal appeal was rising.

But CDU officials seized on another outcome of the poll as even more encouraging. It indicated that optimism about the country's economic prospect is sweeping the country and fears about unemployment are receding.

"The poll reflects a substantial shift in the mood of the population towards greater confidence in the future. That will work in the government's favour and carry us through the next election," said a senior aide to Kohl.

The ZDF poll said the CDU now enjoyed 45% support compared with only 40% to 42% in the summer, while the SPD had slumped from 47% to 44% in one month.

The apparent change of mood, also reflected in another poll published yesterday, has dampened spirits in the SPD as the party prepares to open its campaign for the general election, scheduled for February 1987.

Johannes Rus, the SPD's candidate against Kohl, will present his policies in a speech in the town of Ahlen on December 16.

Prices rising for printing and packaging -

PRINTERS and packaging manufacturers foresee increases of more than 10% in the prices of printed matter and paperboard packaging early next year.

Commercial printing, newspapers, books, magazines, cartons, wrapping and printed stationery are likely to succumb to the inflationary spiral, according to the SA Printing and Allied Industries Federation.

Across-the-board weekly wage increases of R17.50 for skilled workers and R12 for unskilled workers in the industry are due to come into effect from January 1.

Mondi Paper and Sappi Fine Papers recently increased the price of fine papers and Sappi has indicated that the price of various coated-paper grades will shortly increase by 11%. 
CAPE teachers whose November salaries were withheld have been paid, after they threatened to take legal action.

A spokesman for the 2,000-strong Western Cape Teachers’ Union said the union instructed attorneys to act on behalf of all teachers whose pay had been withheld for allegedly refusing to administer exams.

The teachers include the staff of Harold Cressy High School in Cape Town, about 27 teachers at Cathkin Senior Secondary School in Heidelberg and a number of teachers at Alexander Sinton Senior Secondary School in Athlone. — Sapa.

No change in tax from gold

DESPITE the rand price of gold that is likely to continue record levels next year, total tax receipts from gold are not expected to increase.

In fact, as a proportion of total state revenue, gold mine tax receipts will decline.

They now account for about 10% of the R3bn tax receipts, but will probably be down to 8.5% next year.

Louis Geldenhuys, economic consultant at stockbrokers George Huysamen and Partners, estimates that gold receipts will be R3bn, rather than the official estimate of R2.4bn.

First-quarter 1986 tax receipts will show an increase on the corresponding period in 1985 because the tax surcharge increase from 20% to 25% was imposed at the end of March this year.

BONN — Chancellor Helmut Kohl’s government, feuded over the past year by scandals and low popularity ratings, has made a powerful comeback in opinion polls as West Germany gears up for a year-long election campaign.

An authoritative survey by ZDF television this week said Kohl’s Christian Democratic party (CDU) had moved ahead of the opposition Social Democrats (SPD) for the first time in nine months and that the Chancellor’s personal appeal was rising.

But CDU officials seized on another outcome of the poll as even more encouraging.

It indicated that optimism about the country’s economic prospects is sweeping the country and fears about unemployment are receding.

“The poll reflects a substantial shift in the mood of the population towards greater confidence in the future. That will work in the government’s favour and carry us through the next election,” said a senior aide to Kohl.

The ZDF poll said the CDU now enjoyed 45% support compared with only 40% to 42% in the summer, while the SPD had slumped from 47% to 44% in one month.

The apparent change of mood, also reflected in another poll published yesterday, has dampened spirits in the SPD as the party prepares to open its campaign for the general election, scheduled for February 1987.

Johannes Rau, the SPD’s candidate against Kohl, will present his policies in a speech in the town of Ahlen on December 1.

Prices rising for printing and packaging

PRINTERS and packaging manufacturers foresee increases of more than 10% in the prices of printed matter and paperboard packaging early next year.

Commercial printing, newspapers, books, magazines, cartons, wrapping and printed stationery workers in the industry are due to come into effect from January 1.

Mondi Paper and Sappi Fine Papers recently increased the price of fine papers and Sappi has indicated that the price of various coated-paper grades will shortly increase by 11%.
Mondi is Amic's

By Duncan Collings
Deputy Finance Editor

Like Middelburg Steel in the Barlows group, it is an unquoted and less glamorous company which is set to become the star performer in the Amic/Anglo Industrial stable.

Mondi — possibly Amic's largest investment — is now "set to reap the rewards of 15 years of development", according to Reg Donner, the timber/paper group's chairman.

Mr Donner, who this week was appointed to the Anglo main board to add to his many other Anglo group directorships and chairmanships, says that this year's "very slight" loss recorded by Mondi is largely a result of start-up costs at the group's new R850 million Richards Bay pulp mill, that but next year will present a totally different picture.

The Richards Bay project — which started up a little over a year ago — has now virtually proved itself. From zero production just over a year ago the project has now reached 70 percent of capacity. And next year Mondi is hoping for an average of 65 percent capacity with 100 percent output reached before the end of the year.

Exports are scheduled to reach R300 million next year and import replacement will save the group (and the country) a further R200 million. These estimates are well up on the about R220 million exports and R75 million import savings expected only a year ago, and the group has the weakness of the rand to thank for the unexpected better than forecast performance.

Threat of sanctions

Mr Donner says that export test shipments commenced eight months ago and were soon followed by full commercial shipments as the group's products were found to be very acceptable to the international market.

It is fairly sanguine about the possible threat of sanctions. "We have lived with political pressures for 10 years already."

Even under tighter sanctions Mr Donner believes the group will still be able to find ready overseas markets for its products. "We fortunately do not have a high-profile product," he said.

And on the local front, even despite the depressed economy, the group will do well. Demand for writing and printing paper has already picked up and Mr Donner believes that, apart from customers buying ahead of justifiably expected price increases, stocks are now so low that customers are having to repurchase again.

In addition the group will benefit from its ability to supply to the local market papers hitherto imported and this will open up new market segments for the group.

In this area it will be on price alone that the group will be able to compete. The rand has made the proposed 15 percent import protection almost superfluous as overseas products cannot be landed here at a competitive price with or without import protection," he said.

Also if there is full attendance of black schools this will have an enormous effect on the group in terms of demand for paper used in school books.

Dark cloud for timber

The group will also benefit from not having to import. "All our mills are currently using nothing but Richards Bay pulp," he said.

If there is a dark cloud it is in the area of timber, particularly for the building trade, and newsprint, both of which will be very difficult local markets next year.

But he says that on the newsprint side the group supplies about 60 000 tons to the local industry but will export 200 000 tons. Thus the local market for newsprint, while it is important, is certainly not the be-all and end-all.

The group's 14 saw mills are operating at about 65 percent of capacity overall, with several smaller mills closed down in order to keep the bigger mills operating at capacity. This low demand has meant that a proposed saw mill to be erected adjacent to the Richards Bay complex has been shelved for the time being.

Except for Felixton, where there might be some expansion in the future, the group now has no major capex plans for the foreseeable future.

At Felixton the group takes sugar cane bagasse from the local sugar mill which has recently been substantially enlarged. "We could, some time in the future, expand our own operations there to take up the extra available bagasse," Mr Donner said.

The group will just miss achieving a R1 billion turnover this year, due largely to the depressed local conditions, but should comfortably exceed this target in 1986.
Union dues dispute goes on

Labour Reporter

THE strike by about 200 Syiko Paper company workers entered its second day yesterday with no agreement being reached over the workers' demand for a refund of their union contributions.

Mr David Cox, a spokesman for the Jacobs company, said yesterday that the strike involved a majority of the black workers, formerly members of the South African Typographical Union, by virtue of a closed shop agreement.

'Over the past month they have expressed unhappiness at having to belong to this union and Syiko has now successfully negotiated an exemption from union membership for these employees.

Calm

'We therefore no longer deduct union dues. However, the strikers have demanded that all dues ever paid by them into the union must be refunded. This is clearly not possible as Syiko merely collects dues according to gazetted laws on behalf of the union.

'At the present moment, no agreement has been reached but the situation is calm,' he added.

Mr Isaac Ngeobo, national treasurer of the South African Allied Workers' Union, said the workers had resigned from SATU and had since joined the SAAWU affiliate, Printing and Allied Workers' Union.

He claimed that the workers had informed both the company and SATU of their decision many months ago.
Mondi’s 15 percent import duty request angers printers

Finance Editor

The cost of many paper products — including bible and braille paper — will rise if the Board of Trade and Industries agrees to a request from Mondi Paper to impose a 15 percent duty on imports.

Printers are angry and are flooding the Board of Trade with letters objecting to the proposal.

They say that many of the papers are not made in South Africa and it is most unlikely that they ever will be.

Also, the price of locally made papers are among the highest in the world, but locally-made paper is being sold at very low prices overseas.

They say also that the move is inflationary — extra costs will be passed on to the consumer — at a time when the printing industry is facing other extra costs.

Relaxation of imports had kept the price of local paper in check and competitive. It was not ‘eroding’ the paper-making industry, the printers say.

Any protection granted by the Government will be used to increase local prices and cause further inflation in our industry, thereby driving more of our customers into the do-it-yourself market (buying their own presses) due to the high prices of printing and packaging,” a printer said.

The timing was ‘inappropriate’ as it was impossible with the exchange rate fluctuating to compare prices.

Printers point out that when importing was relaxed in 1993 there was no flooding of the market with imports of cheap paper.

They say that few printers were prepared to go to the trouble of importing their materials and alleged that local paper merchants were prevented by Sappi and Mondi (the two major paper makers) from selling competing imported papers.

Threats were made, it is alleged, that such independent action would jeopardize the benefits of their dealings.

Newsprint is costing newspapers R820 a ton which is due to rise to R980 a ton in January (an increase of 8.5 percent), but can be bought in Europe, and landed in Durban, at about R770 a ton.

One Durban printer has evidence that South African newsprint could be bought in New Zealand at R440 a ton. Locally-made paper was being sold abroad at 30 to 60 percent below local costs.

Meanwhile, the Newspaper Press Union has asked the Government for permission to import newspaper — but so far has had no response.

Durban printer Mr I.D. Knock, who is a member of the Federation of Master Printers, said that while American paper manufacturers made a 3.3 percent profit margin on sales and Europeans 2.5 percent, Sappi made 11.9 percent and Mondi 5.77 percent.

He said: “The local user is exasperated by the constant inference that we should be grateful for the huge investments being undertaken by the Sappi and Mondi mills and that it is our patriotic duty to pay exorbitant prices and not complain too much in the process.”

The Mondi application covers at least 72 different types of paper not made in this country such as: photographers' background paper, cheque paper, black album paper, wet strength papers, azure laid ledger, spirit duplicating paper, trans for base paper and acid free papers and boards for artists.

Locally made papers are included as well: duplicator, bond, bank, cartridge, offset printing and business forms.
Packaging makers incensed by... bus day

Soaring cost of raw materials

PACKAGING manufacturers, incensed by hefty price increases in raw materials, see the rising costs of these goods as their major hurdle for 1986.

Locally manufactured raw materials have risen by as much as 45% in the last two years, pushing up the end price of packaging by more than 50%.

With more increases on the way in January, the main suppliers — paper and steel mills, who together supply more than 50% of SA’s packaging material — have been accused of disregarding the state of the economy.

Manufacturers complain that many of the price adjustments have been justified by the exchange rate, even though the materials are of local origin.

Nampak Corrugated Container Division MD Adrian Barker slated the paper mills for hiking the price of some products by as much as 40% over two years. “Raw materials make up 85% of the selling price. When major primary producers increase price in this manner, there is a ripple effect. This sort of action is not only a disservice to the paper and packaging industry, but to the entire economy.”

Barker hit out at suppliers for using the low value of the rand as an excuse to make large exports profitable. “Suppliers cannot have the benefit of the low rand without living with some of its drawbacks,” he said.

Packaging companies have also had to cope with falling volumes as consumer demand has slipped. Nampak group MD Don McCartan attributes some of the volume problems to the difficulties linked to delivering goods in the townships.

However, towards the end of November demand picked up and packaging manufacturers are eagerly awaiting January to see whether the surge signals the start of a recovery.

SA still follows Western countries when it comes to packaging trends and design. However, the exchange rate has forced manufacturers to become less reliant on material and design. “Up till now our markets have not been big enough for us to set trends. However, a lot of companies are now looking to export markets to maintain their volumes,” said McCartan.

Export activities are set to intensify with high volume markets such as South America and South East Asia.
Competition is particularly fierce in the market for corrugated packaging, where the fledgling Marathon Packaging is believed to be chipping away at Nampak’s market share. But Nampak “has inherent strength to withstand price competition,” claims Kardol, who adds that the group is well diversified and that no one product accounts for more than 10% of group profits.

Nampak’s margins were squeezed last year by the sharp increase in raw material costs. In particular, the cost of local paper soared, while imported paper proved equally expensive because of the low value of the rand. “Faced with a prolonged recession, the group has intensified its focus on cost control and effective asset management,” says Kardol. He adds that further rationalisation is possible between Nampak and Metal Box.

Despite expectations of a deepening recession, the group has earmarked R160m for capex this year. “Packaging is capital-intensive, and to keep producing cost-competitive, quality products, we need ongoing investment,” says Kardol. Some R100m will be spent by Metal Box, and R60m by Nampak.

Current projects include the construction of a R52m tissue-wadding facility with capacity of 16 000 t/year, due for completion in mid-1985. Metal Box is building a new R53m glass-furnace plant.

“Provided there is no significant deterioration in economic conditions, the group should maintain earnings a share this year,” says Kardol. Last year’s 70c payout is likely to be maintained, placing the share on a forward yield of 5.7%. Since reaching a high of 1 660c early this year, the share has fallen to 1 228c — a far sharper drop than that of the packaging industry as a whole. Considering Nampak’s reputation for solid growth, the fall may have been overdone.

Neddle Glazer

METAL BOX

New package

Activities: Manufactures and distributes cans. Also manufactures packaging, closures and industrial components from metal, plastic and board.

Control: Nampak holds 53.8% of the equity. Metal Box UK holds 25%. Ultimate holding company is Barlow Rand.

Chairman: B Kardol; managing director: P L Campbell.

Capital structure: 68.3m ords of R1; 500 000 5% red cum prefs of R2; 4 600 10.5% convertible red cum prefs of 10c.

Market capitalisation: R396.9m.

Share market: Price: 450c. Yields: 4.9% on dividend; 11.2% on earnings; PE ratio, 8.9; cover, 2.3, 1983-1984 high, 960c; low, 350c. Trading volume last quarter, 161 000 shares.

Since Nampak bought control last year, Metal Box (MB) has shifted firmly into primary packaging. It acquired Nampak’s primary packaging division, while its industrial interests were merged with Barlow Rand’s steel tube activities. In line with Nampak’s management philosophy, MB has now been restructured into seven divisions, each responsible for its own performance.

Financial: Year to September 30

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>29.2</td>
<td></td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>61.3</td>
<td></td>
</tr>
<tr>
<td>Debit/equity ratio</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td>Debt cover</td>
<td>0.68</td>
<td></td>
</tr>
</tbody>
</table>

Performance:

Return on cap (%) | 11.6 |
Turnover (Rm) | 665.5 |
Pre-int profit (Rm) | 57.1 |
Pre-int margin (%) | 8.5 |
Taxed profit (Rm) | 34.5 |
Earnings (c) | 50.0 |
Dividends (c) | 22.0 |
Net worth (c) | 379.0 |

Comparisons with the previous year are almost impossible, but chairman Bas Kardol assures shareholders that “the financial results achieved are most satisfactory, and are indicative of the soundness of the re-structured group.”

The new glass container plant has performed to budget since coming on stream in October 1983. So far only one furnace has been used, which has led to inefficiencies. Improved economies of scale are likely after a second furnace is added in 1985 at a cost of some R53m.

The results this year, says Kardol, should be in line with last year. At 450c, the share yields a somewhat low 4.9% on dividend. Parent Nampak seems a better bet.

Neddle Glazer

OCEANA

Ups and downs

Activities: The group catches and processes pelagic fish into fish meal, fish oil and canned fish. It also catches and processes rock lobster.

Control: United Oceana Holdings has 88% of the equity. Barlow Rand is the ultimate holding company.

Chairman: C L Walton; managing director: W A Lewis.

Capital structure: 8.8m orts of 1c. Market capitalisation: R45.7m.

Share market: Price: 520c. Yields: 11.5% on dividend; 18% on earnings; PE ratio, 5.6; cover, 1.5, 1983-1984 high, 640c; low, 410c. Trading volume last quarter, 22 000 shares.

Last year did not turn out quite as Oceana had expected. While eps exceeded the interim prediction of 82c, the higher tax rate lopped 5.4c off earnings. Forex losses on uncovered foreign loans amount to R891 000, or 10c a share. But, says chairman Cedric Walton, Oceana’s double landings were far better than anticipated.

Financial: Year to September 30

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>6.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Debit/equity ratio</td>
<td>0.16</td>
<td>0.26</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0.31</td>
<td>0.38</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>27.2</td>
<td>24.0</td>
</tr>
<tr>
<td>Debt cover</td>
<td>1.8</td>
<td>0.9</td>
</tr>
</tbody>
</table>

Performance:

Return on cap (%) | 24.23 |
Turnover (Rm) | 77.5 |
Pre-int profit (Rm) | 17.9 |
Pre-int margin (%) | 19.26 |
Taxed profit (Rm) | 10.3 |
Earnings (c) | 100 |
Dividends (c) | 48 |
Net worth (c) | 417 |

During the season, the pelagic quota was increased 30 000 t, enabling Oceana to lift its landings to 115 000 t (105 000 t). This represents some 37% of the industry’s total catch, reflecting the group’s dominance in this market. In Natal, where Oceana is represented through United Fishing Enterprises (UFE), quality pickherts were netted. UFE spent R13m on modernising its fleet last year. This, says Walton, was an important factor enabling the company to increase production to 806 000 (772 000) car- tons of canned fish. However, the anchovy season, which started in May, proved disappointing.

Cash-flush Oceana dropped its dividend cover from 2 to 1.5 to increase the dividend to 60c (60c). The dividend yield is a whopping 11.5%, but the market has reacted with indifference, leaving the share inactive around 230c. In addition to the 60c dividend, a 5c special dividend was paid.

It seems that, since Tiger’s takeover by Barlows, the prudent dividend policies that characterised the Tiger fishing companies have given way to a new-found generosity. Fishing companies, including Oceana, have tended to accumulate huge cash reserves in good seasons in anticipation of leaner times. Barlows clearly believed that these reserves could be put to better use higher up in the group.

Fishing shares in general have slowed, following a sustained bull run in recent years. Because of their cyclic...mature, they have always carried a premium to other shares. Recently the premium has increased, indicating a lower rating for fishing companies in general.

Walton declines to offer a forecast. The uncertainty surrounding the new pelagic quota system and the poor anchovy fishing pattern of recent years makes forecasting extremely difficult, he says.

Nevertheless, at 520c, Oceana shares are among the most attractive in the fishing sector. The group is a major presence in fishing, and its substantial cash reserves, around R25m, place it in a good position for expansion.

Financial Mail December 21 1984
division coming out of the red and contributing R1,4m (R287 000 loss) to group pre-tax profit. Chairman Abe Jaffe attributes this to the introduction of new management, which efficiently controlled cash flow, initiated new marketing techniques and tightened credit control. This is likely to strain short-term profitability, but should be useful later.

Jaffe points out that increased demand for General Motors products resulted in a shortage of vehicles from the Port Elizabeth plant, and the motor division was compelled to turn to the second-hand car market and servicing to make up the shortfall. Despite the high demand, margins were narrowed. The division more than halved its contribution to group pre-tax profit to R1,6m (R3,5m). To further improve profitability, a loss-making division in Goldies Motor Supplies has been absorbed by Currie’s parts distribution. Jaffe expects it to earn a profit this year.

The net worth was caused by the revaluation of properties, last done in 1983. This amounted to R74m, or a distributable reserve. Currie’s shares are attractive to investors looking for a yield sweeter. However, Jaffe expects stringent monetary policies, introduced by the fiscal authorities, to prevent the group from achieving last year’s profitability levels. This year, earnings could decline to around 15c, but the dividend will probably be maintained at 90c.

**CURFIN**

**Riding high**

Activities: Investment holding company with interests in motor vehicle distribution, freight forwarding, furniture retailing, financing and engineering.

Control: The directors own 51% of the outstanding shares and 90% of the ordinary shares in issue.

Chairman: A Jaffe; managing director: E N Swirsky.

Capital structure: 14,0m 011ds of 50c each.

Market capitalisation: R28,8m.

Share market: Price: 440c. Yields: 8,0% on dividend; 12,91% on earnings; PE ratio, 7,8: cover, 17. 1983-1984 high, 350c; low, 300c. Trading volume last quarter, 335 000 shares.

Considering the competitive nature of the motor industry, Curfin’s latest performance appears remarkable at first glance. It achieved a 15,8% pre-tax profit improvement to R23,1m (R19,2m), and margins narrowed only slightly, while sales increased 22,6%.

This, however, was not owing to a turnaround in the fortunes of GM products (the company’s major franchise) but to the reversal of the furniture division’s losses. The injection of new management is helping, with emphasis on cash management and cost control. The division accounted for R1,4m (R287 000 loss) of group pre-tax profit.

This, with Safor’s improved results, more than offset the decline in the motor division’s contribution from R5,7m to R4,8m. The results may be surprising considering that demand for GM products outstripped supply, but this may have aggravated the situation as GM was unable to supply enough vehicles.

**Financial: Year to June 30**

<table>
<thead>
<tr>
<th>81</th>
<th>82</th>
<th>83</th>
<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>0,2</td>
<td>0,4</td>
<td>0,0</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>2,9</td>
<td>2,6</td>
<td>1,8</td>
</tr>
<tr>
<td>Debenture ratio</td>
<td>0,07</td>
<td>0,06</td>
<td>0,03</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0,49</td>
<td>0,51</td>
<td>0,56</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>17,4</td>
<td>16,9</td>
<td>16,2</td>
</tr>
<tr>
<td>Debt cover</td>
<td>8,5</td>
<td>6,6</td>
<td>8,1</td>
</tr>
</tbody>
</table>

**Performance:**

<table>
<thead>
<tr>
<th>81</th>
<th>82</th>
<th>83</th>
<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>23,2</td>
<td>26,9</td>
<td>21,8</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>137,0</td>
<td>166,6</td>
<td>148,7</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>21, 1</td>
<td>25,8</td>
<td>21,0</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>15,3</td>
<td>13,4</td>
<td>11,6</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>19,4</td>
<td>19,8</td>
<td>17,2</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>20,3</td>
<td>32,3</td>
<td>32,3</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>197,2</td>
<td>216,2</td>
<td>249,3</td>
</tr>
</tbody>
</table>

To make up the shortfall, subsidiary Currie Motors strengthened its second-hand car division and its service and spares sections. Curfin Motors, which works independently of Currie, took on Alfa Romeo and Amac franchises.

Despite deteriorating international trade, Safor again made a major contribution to the group, with an 11% increased taxed profit. Chairman Abe Jaffe says this was largely owing to the diversification in freight, forwarding and shipping. This division accounts for around half of pre-tax profit.

The move into engineering has yet to prove successful, and F & A Silver showed a profit decline to R75 000 (R268 000). Jaffe does not foresee any profit growth this year, but he says that management is coping in difficult market conditions. The group, generally reluctant to borrow, reduced its interest bill from R1,1m to R977 000. The balance sheet shows no short-term borrowings and long-term liabilities declined from R1,8m to R1,5m. Following realisation of fixed properties, shareholders’ funds rose to R49,5m (R34,9m) and about 33% comprises cash assets.

The strong balance sheet should help the group achieve profit levels close to those of last year. The worrying factor is high Ladofo rates, which have already caused motor manufacturers to cut production.

This year, the dividend could be maintained at 95c, putting the share on a 8,4% yield. The share is unlikely to show dramatic growth and appears to be fairly priced.

**NAMPACK**

**Wrapping up**

Activities: Manufactures a broad range of packaging products including paper corrugated board, glass and plastic containers. Also has printing interests.

Control: Holding company is C G Smith. Barlow Rand is ultimate holding company.

Chairman: B Kardol; managing director: D A Jacobs.

Capital structure: 68,2m 011ds of R1; 500 000 5% red cum prefs of R12; 4600 red cum prefs of 10c. Market capitalisation: R686 000.

Share market: Price: 1 225c. Yields: 57% on dividend; 13,8% on earnings; PE ratio, 7,2; cover, 2,5. 1983-1984 high, 1,650c; low, 1,050c. Trading volume last quarter, 73 000 shares.

**Financial: Year to September 30**

<table>
<thead>
<tr>
<th>81</th>
<th>82</th>
<th>83</th>
<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term (Rm)</td>
<td>1,5</td>
<td>13,9</td>
<td>13,2</td>
</tr>
<tr>
<td>Long-term (Rm)</td>
<td>38,3</td>
<td>43,8</td>
<td>48,1</td>
</tr>
<tr>
<td>Debenture ratio</td>
<td>0,22</td>
<td>0,27</td>
<td>0,24</td>
</tr>
<tr>
<td>Shareholders’ interest</td>
<td>0,59</td>
<td>0,59</td>
<td>0,57</td>
</tr>
<tr>
<td>Int &amp; leasing cover</td>
<td>12,6</td>
<td>8,6</td>
<td>7,2</td>
</tr>
<tr>
<td>Debt cover</td>
<td>1,5</td>
<td>1,2</td>
<td>1,4</td>
</tr>
</tbody>
</table>

**Performance:**

<table>
<thead>
<tr>
<th>81</th>
<th>82</th>
<th>83</th>
<th>84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on cap (%)</td>
<td>24,6</td>
<td>23,1</td>
<td>26,0</td>
</tr>
<tr>
<td>Turnover (Rm)</td>
<td>459</td>
<td>602</td>
<td>674</td>
</tr>
<tr>
<td>Pre-int profit (Rm)</td>
<td>78,4</td>
<td>88,5</td>
<td>115,0</td>
</tr>
<tr>
<td>Pre-int margin (%)</td>
<td>14,6</td>
<td>16,7</td>
<td>16,9</td>
</tr>
<tr>
<td>Taxed profit (Rm)</td>
<td>50,6</td>
<td>59,7</td>
<td>65,7</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>146</td>
<td>189</td>
<td>179</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>54</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Net worth (c)</td>
<td>500</td>
<td>588</td>
<td>685</td>
</tr>
</tbody>
</table>

Several Nampack divisions were hived off last year to Metal Box, making year-on-year comparisons virtually impossible. But earnings a share, which are comparable, declined marginally to 17c (17c), while the dividend was pegged at 70c.

The group has maintained its market share, says chairman Bas Kardol, but profitability has dropped in the face of intense competition, and because of the altered product mix. This is reflected in the declining ratio of operating profit to sales, which fell to 13% (15%) last year.

**DATES TO REMEMBER**

**Last day to register for dividends:**

Friday Dec 28: Angvalc 100c; Apex 190c; Avhold 0,5c; Blywof 90c; Buffor 5c; Cemenco 13,5c; Clydesdale 50c; Deelkraal 10c; Doonars 88c; Dries 113c; ETCons 75c; Fogit 12c; Harties 32,5c; Kaapman 28c; Kloon 160c; Libanon 120c; Lonsugar 9,01c; Mekhor 4,2sc; Prim GM 10c; Rooiberg 50c; Suderland 10c; Un Cold 80c; Uni Tin 10c; Venters 75c; Vlaks *18c.

**Meetings:**

Friday Dec 28: Inv Club; Math Ash. All meetings are in Johannesburg.

* = Not after non-resident tax. = Repayment of capital.

Financial Mail December 21 1984
Mondi strikers return to work

Mercury Reporter

HUNDREDS of Mondi cardboard manufacturing mill employees who went on strike at the weekend, resumed work late yesterday following 11th-hour negotiations with the mill management.

A spokesman for the Durban mill said workers had been warned on Saturday that the strike was illegal and they faced dismissal unless they returned to work within 24 hours.

‘In the event the limit expired.’

On Monday shop stewards and union representatives spoke to management.

It was made clear by management that if workers wished to return under the conditions prevailing at the time of the stoppage, the decision to dismiss employees would be waived.

‘Eventually they agreed,’ he said.

The dispute which led to the walk-out arose after wage increases offered on December 12 — starting at 20c an hour for labourers — were rejected.

Management followed the original wage increase offer with a plan to implement an interim increase on January 1 of 18c an hour, scaling upwards, to ‘tide workers over until finality was reached’.

This was acceptable to all but one of the unions.

‘Nothing has changed,’ said the spokesman shortly after it was decided that employees would return to work.