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Mosenthal's timber for Katzenellenbogen

BY IAM MUIJ

PRETORIA'S fast-growing Katzenellenbogen group will acquire the extensive timber interests of the Mosenthal group now being digested by Mercabank.

The deal is typical as Mercabank's offer of compromise to the Mosenthal group creditors.

Katzenellenbogen will acquire Mosenthal's Wood Products, the entire assets of Mosenthal's Timber Holdings, which include, in addition to the numerous subsidiary operations, 75% of Managed Timber Investments, and 100% of Botshabelo Saw Mills (Pty). The transaction envisaged an increase in the share capital but no change in the present control of Katzenellenbogen.

Effective control in the company, about 70 per cent, is held by the Tucker family of Vredendaal.

Mr. Solly Tucker, Katzenellenbogen's chairman and managing director, said yesterday that the deal, which he described as "just what we have been looking for," is an excerpt from the country's 1987 interim report, "the merger with the major company which has followed up commitments." While the press here has been the recent past, even for the financial press, it is the transformation of the group's focus, from the concentration on national growth, the time to become "ripe for additional acquisitions," to the group's interests in the field of sawmilling, forest products, and timber distribution," said Mr. Tucker.

"In the past we have found the opportunities for expansion in our own country and we are now seeking through judicious acquisitions. Katzenellenbogen may well, in part, be financed by an increase in the company's share capital. Either by way of rights issue or by the issue of additional equity, considering the takeover contemplated.

In the form of Managed Timber Investments, Mr. Tucker, is getting the sawmilling, forest products, and timber distribution package he wanted, plus a bonus in the form of the much admired, well-managed timber supply business.

Katzenellenbogen, along with the other major companies, will be bolstered by the industry for its professional degree of vertical integration, which will be further enhanced by the merger of its supply side and demand side interests. The announcement says that the Katzenellenbogen transactions, may be concluded on behalf of the proposed merger with third parties for disposal of a portion of the timber interests acquired.

This refers to negotiations conducted by Mercabank with prospective pecuniary buyers before Mr. Tucker's offer of taking the whole package. Mercabank has declined, however, to release these discussions through, but will conduct them "as an agent for Katzenellenbogen."

DOVETAIL

Mr. Tucker said that only those assets which would not dovetail immediately into the group are being disposed of.

The increased scale of vertical integration will reap rich rewards for the company in the form of profit enhancement and coordination of activities.

For another, the link with Mercabank will doubtless be strengthened as mutual back-scratching will be available through Mercabank's building society.

In the past, Sandveld, one area which could provide an important outlet for Katzenellenbogen, widespread forecasts of a hard times ahead for the building industry are debatable, but few argue with the point that "the present recession is a short term crisis."

Building starts are down but population growth is fast outpacing recession. The demand will start to balloon once the market improves.
Board plant shutdown

HULETTS Corporation's R5 000 000 Hulsakane factory at Amatikulu is to stop operations until further notice due to the slump in the building and furniture industries.

This was announced soon after it was learned yesterday that production at Masonite Africa's Canalsands factory has been reduced and that 288 workers at the Estcourt plant had lost their jobs.

A spokesman for the Hulett's Corporation said yesterday that the Hulsakane factory, which manufactures particle board products from sugar cane fibre, would be put in "mothballs" until the state of the market improved. Stocks of finished goods would be sold.

Commenting on yesterday's announcements, Mr. Roland Fread, director of the Natal Chamber of Industries, said he could not be specific about recessions without going into the particular industries concerned.

"I can say that we have not been deluged with reports of retrenchment. However, certain sectors have been hit harder than others."

"The building industry seems patchy on the information available to me but I have found it hard to pick up a pattern," he said.

Mr. Archie Smith, director of the Master Builders' Association, said that the speculative house building industry had taken "a bit of a knock" because of bond money problems.

"If the industry is levelling off then it's doing so at a pretty high level," he said.

The Hulett's Hulsakane factory suffered substantial losses in 1973-74, only a year after it was opened in July 1972.

According to the company spokesman there would be some retrenchment among the staff of more than 100 employees of all races. However, the majority would be found jobs in other parts of the Hulett's organisation.

At the time of opening, it was hoped that the mill would be the start of an industrial "explosion" in the area. It was designed to produce 120,000 tons of building material a day but, in its first year, there were start-up losses and production delays.

PROBLEMS

During the 1973-74 period it suffered from technical problems, lack of qualified maintenance staff, at the factory and breakdowns in machinery.

The factory was closed from April to May, 1974, for a complete overhaul. The management and finances were then reorganised and restructured.

Explaining the reasons for the Masonite Africa cut back yesterday the company's chairman, Mr. P. D. MacFarlane, said that the export market, particularly in the United Kingdom, showed no sign of revival and the local market was "very sick."

He did not expect a recovery this year.

At the Estcourt factory the hardboard plant is being phased out and will be shut down by the month end. Some workers are being moved to other parts of the factory in which production will continue. But at least 25 have lost their jobs. They will be retrenched in stages.

About 220 Africans, 11 Indians and 27 Whites are affected by the shutdown.
Softwood row splits industry

By DAVID PINCUS

ALLEGATIONS that large quantities of imported structural timbers are being sold by merchants and manufacturers in the South African timber trade.

The situation has become so serious that a number of leading timber traders have written to the government to protest against the practice.

There are reports that some South African merchants are using imported timbers in place of South African timbers and that the government is not aware of this.

The South African Timber Merchants' Association (SMTMA) has been asked to investigate the matter and report to the government.

The SMTMA has written to the government expressing its concern over the practice.

The association says that the matter has been brought to its attention by several members of the industry.

The association has asked the government to take action to prevent the practice.

The association says that it has been informed by some members of the industry that imported timbers are being used in place of South African timbers.

The association says that it has also been informed that some South African merchants are importing timbers from abroad.

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The associate
Fort Hare man will train 15,000 workers

EAST LONDON — The South African Forestry Council has appointed Professor Willem Backer, 38, an authority on work motivation, as director of training for the timber industry.

Professor Backer will be responsible for training more than 150,000 workers in the timber industry — 65 per cent of them blacks.

The forestry council, a statutory body, has set aside a budget of more than R260,000 to establish the training scheme on a national basis. South Africa's first training school for rural blacks, will eventually be established under the scheme. In addition mobile units will reach timber workers in remote areas.

PROF. BACKER
Body-line blow to timber men

By DAVID PINCUS

THE timber situation, as outlined by the Transvaal and Natal Timber Association, has affected structural timber prices. The association has called for a 10 per cent reduction in the price of structural timber. This reduction, it says, will help to reduce the cost of building and will have a beneficial effect on the timber industry.

Willie Lewinham, chairman of the Transvaal Marketing Bureau, said that the reduction is necessary to make structural timber more competitive in the market. He said that the association has been working closely with the government to ensure that the reduction is implemented.

The reduction will apply to all grades of timber, and will affect both the local and imported timber market. The association has also called for the government to implement policies to increase the supply of timber to meet the increasing demand.

The timber industry has been facing a challenge due to the decrease in the supply of timber. The association has been working with the government to find solutions to the problem. The reduction is a step in the right direction and will help to stabilize the market.

The association has also urged the government to consider implementing policies that will encourage the planting of more trees to meet the demand for timber in the future.

The reduction is expected to have a positive impact on the construction industry, which is dependent on structural timber. The association has been working closely with the construction industry to ensure that the reduction is implemented.

Looked in the mirror and found timber

PLATE Glass' big timber and board division was established more than 50 years ago and is today one of the country's leading suppliers.

It first entered the timber and board business when it started supplying furniture manufacturers.

The man behind this section of the business, Bertie Lüthner, recalled how PG's interest in wood came about.

My grandfather was a small-time cabinet maker and my father as a youth helped him in his shop.

In his spare time he offered certain lines to the furniture trade, particularly mirrors. He then got agencies for plywood, timber and hardware, and eventually began to carry a bit of stock.

That brought us into the field as a supplier of base materials—glass, hardware and timber.

Initially the size of the business was such that all products were kept under one roof, but as each product range developed we needed more specialised facilities and staff and indeed we assimilated very materially in the growth of the furniture industry by having stocks available to meet its needs.

The group today as PG Timbers began its activities in timber mainly with hardwoods and plywood, because of the lack of indigenous growth in the country—almost all had to be imported.

Examples of these were teak which was imported from Burma and Thailand, beech from Yugoslavia, mahoganies from the West Coast of Africa, oak from Japan.

Before and during the war, the company brought in logs and sawed them into boards, introducing species into the country which are household words today, such as mahogany and kaas.

Today the company is the biggest importer of hardwoods in both range and volume and has established yards in all the main centres throughout the country.

Realising the need for not only horizontal expansion but also to vertically integrate its activities, the group became involved in certain activities extracting logs out of the forests and turning them into a range of basic raw materials designed to get the maximum use from them.

The better logs are sliced and peeled for veneers and others are used for railway sleepers or cut into boards for furniture manufacture.

"There came a time when we realised that in the countries we imported from we were entirely in the hands of the suppliers, who were thousands of miles away. This did not seem to be a very satisfactory situation, said Mr. Lüthner.

We decided to look after our own interests by making sure we had our own buying offices and yards facilities in most of the supply countries.

"This developed, in association with others, into a network buying and storage. Being on the spot eliminates several risks.

"Before PG went to the source, inferior timber was often sent to South Africa in unsuitable trampships. We now have better control over the supply and regularity of shipments, so we have a far more reliable and economical business.

"Hardwoods are expensive and we realise the importance of quality. All the big centre kilns to dry the timber are installed and we have extensive machine shops to turn the timber into the many finished products required by the trade and public.

"Timber is a living commodity—it needs careful and specialised handling.

"After the war, SA pine was not considered good enough as either a structural or furniture grade of timber, and we had to import softwoods from Canada and the Baltic countries.

"Over the years, through Government afforestation schemes and the fact that farmers and industrialists began to see that there would be a shortage of pine not only for the construction and furniture trade but also for pulp for paper and board products, many private areas were cultivated and young pine planted.

"With careful planning the forests have so matured that today the local industry can supply 85 per cent of the country's pine requirements.

"With an increasing cost of labour, and to combat inefficient costing methods of root erection, the PG group is now offering a unique service through 20 Hydro Nail plants strategically located all over the country.

"These plants turn out complete roof trusses to which the timber has been joined by a patented system of nail plates and the finished product delivered.

"Boards are all initially imported in the form of plywood and multiply.

"Most furniture was made from solid wood, but as this material became more and more expensive, so substitutes developed.

"Plains was mainly used for drawer bottoms and backs, and also decorative purposes. PG imported all that was required and developed into one of the biggest distributors of these products.

As wood substitution developed more and more, products were manufactured in South Africa and less was imported.

"PG, to maintain its place in the market, became involved in the manufacture of all the new products— chipboard, plywood, board, doors and plastic laminates.

"Today many of the group's products are accepted as standard components for base furniture and fittings.

PG integrated its board business by investments in board manufacturing.

The companies making up this division are African Lumber and Premier Woodworking, the largest board producers in Rhodesia, Raymond Plywood (Adelaide) (Pty), manufacturers of high quality doors, blockboard and paneling, acquired by Plate Glass in 1988, Johannesburg Mouldings (Pty), acquired in the same year as a manufacturer of hand-finished picture frame mouldings, and Solid Timbers (Pty), a wholly owned subsidiary dealing in laminated pine products.

Also in the division are partnerships, Nigel Timber and Hardware (Pty), one of the largest manufacturers in the country of wooden pallets, crates and boxes, and Louvre Centre (Pty), specialising in decorative and functional carved louvre doors and home accessories.
Solution in low-priced housing

John Paton
Political Correspondent

The Minister of Forestry, Mr. S. P. Botha, said today the large-scale introduction in South Africa of brick-veneer wooden-frame houses would help alleviate the present shortage of reasonably-priced housing. Brick-veneer housing held many advantages — such as speed of erection and very reasonable cost — he told the South African Federation of Building and Allied Traders Association annual meeting.

Mr. Botha said a manual prepared by the National Building Research Institute of the CSIR on brick-veneer houses should be available before the end of the year.

"A promotion-campaign of this type of construction can then be undertaken," the Minister said.
Sappi profits
R6.8m for six months

ICHANNESSBURG—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 R6.861,000 compared with R6.496,000 for the comparable period last year, according to an interim report published yesterday.

Earnings per share rose from 23.8c for the first half of last year to 25.2c.

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

The directors attributed the improvement in profits to higher 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 when the Newsprint Press Union had indicated that there would be a 23 percent cut in newsprint requirements for its members for the second half of the year.

The directors, however, reported that, in spite of company savings, it was not expected that the second half earnings would match those now reported.
'Morbid fear
of wood'

SOUTH AFRICANS have a morbid and unjustified
fear of having wood in their houses, said a
speaker at a Sea Point symposium on the use of
timber in buildings yesterday.

"There is far too much irresponsible and unintel-
ligent talk going on in some quarters about the
hazards supposedly associated with timber
houses," said Dr H Eloff, director of the
South African Lumber
Millers' Association.

He reminded sym-
posium members of:

1. The "millions of
Bantu who live solely in
pole-supported, thatched
roof huts, inside which
they light open fires with-
out restriction; yet we do
not have these houses
being constantly burned-
down".

2. The World War II
huts in London when "fire
wardens did not like to
enter houses that con-
tained less than one third
wooden beams and fram-
ing ... (because) wood
beams will char but con-
tinue to support their
load".

Mr Eloff concluded that
building by-laws enforced
by local authorities were
influenced by "this appar-
et chronic fear of the
fire hazards".

An example, he said,
was the regulation which
he believed was recently
enforced by the Cape
Town Municipality. This
regulation prohibits tim-
ber ceilings in structures
such as rooms, foyers and
exits which house more
than 100 persons at a
time.
Opposition mounts to S.A. Board take-over

Financial Reporter

MR. R. B. CLARK, chairman of the Shareholders’ Association, says there are four reasons why shareholders in S.A. Board Mills should oppose the take-over bid by Anglo American Industrial Corporation, which is up for approval at a meeting in Durban next Tuesday.

Shareholders are being offered 13 AMIC shares for every 100 S.A. Boards and the same ratio in a parallel offer for the holding company, Stafford Mayer.

The Association says that, based on available information, the net asset value for Board shares is about 220 cents — against the current market valuation of about 122 cents and the offer equivalent to 109 cents.

Earnings per share were 21.2 cents for 1975 which was less than those for 1974 (25.6 cents) but were, in fact, higher than in any of the past five years except for 1974.

SUGAR PROFITS

Pre-tax profits from sugar operations were up about 23 percent to R791 000 (1974: R649 000) and the Association notes that if current negotiations succeed improved profits can be expected.

It is pointed out that the troublesome No. 6 Board machine at Springs, which cost R11m in 1971, would cost more than R20m at present, another indication of the company's latent strength.

The Association says the company is soundly based but is suffering from the current downward cycle in the paper trade. Shareholders should resist the bid.

SUBSIDIARY

The situation has changed radically however with AMIC announcing last week that it had acquired enough shares in Staffmay to classify it as a subsidiary. S.A. Board was already a subsidiary, or Staffmay, Control is, now in AMIC's hands and there is no need, to go through with the takeover unless AMIC believes it is getting a bargain, and must get full control to ensure full benefits.

Capital appears to be the principal problem with the directors considering that that R2m will be needed to get the Springs-mill to peak efficiency.
Timber out of the wood?

Sales cuts may have saved some high-costs saw mills from bankruptcy. But in the longer term only improved techniques will help.

Saw milling was in growing financial trouble when the Timber Marketing Bureau imposed volume cuts on sales of structural timber on June 26 in order to relieve the downward pressure on prices.

For saw mills in the Transvaal, Natal and Swaziland, quotas were reduced by 25% on 1974 sales levels. For larger mills in the Cape the cut was 10%. But for those with an annual log intake below 15,000 m³ it was limited to 5%. Thus some of the smaller mills may now be trading more profitably than before June 26. Some have probably been saved from the bankruptcy that could have resulted if prices had not been stabilised.

However, the industry is still in trouble, thanks mainly to the continuing recession in private housing. But timber prices are no longer under as much pressure, and there are signs demand is improving. The worst could be over.

Chief reason for the squeeze on the mills was the fall in demand for structural timbers from private house builders.

Initial estimate of the cost of the cuts was a massive R9m/a in lost turnover. Some of this must already have been made up by slight improved prices. There has also been an improvement in the availability of railway trucks. What sacrifices remain are being borne mainly by the larger and more efficient mills. Which was one of the main reasons for the general shape of the scheme.

Two months of experience of the quotas appear to have established their overall success in stabilising prices, although there have been problems.

Trouble is that about 15% of the mills are outside the TMB, and so cannot easily be controlled. Most of the price cutting has come from these mills.

At least one major non-TMB member group is known to have been keeping down its prices to merchants in order to expand its market share, and other instances have doubtless escaped detection. When first introduced the quota scheme revealed the industry’s weakness for all to see and this prompted some merchants to demand lower prices. That phase seems to have passed.

TMB chairman Willie Immelman denies rumours of widespread price cutting. “Merchants are as much interested in steady prices as the saw mills are”, he says. “Some of them have complained that the quota restrictions were not large enough, that they are still having to take too much timber.” He also claims there has been no trouble about broken contracts.

This is supported by some of the larger merchants. Federated Timbers confirms that the quotas provided a welcome respite from steadily mounting stocks of constructional timber. Main complaint is the increased competition from merchants who are still able to buy at lower prices from mills desperate to maintain their cash flow.

One reason why the quotas were readily accepted could be the absence of alternative markets for structural timber. The mines nowadays buy mostly SA soft-woods for constructional purposes and there have been attempts to sell them more. But these have not been particu-
larily successful as a source of relief because demand from the mines is not expanding.

Efforts to sell more to the Railways have not been successful either. The specifications Railways impose are extremely exacting, and only a limited number of sources can meet them. One of the chief remaining hopes for higher sales, the furniture industry, has itself been depressed. So alternative markets have offered little scope for the mills to disregard the quotas.

Demand is not expected to improve much beyond its present level for some time yet. Immelman does not expect any appreciable upturn before the second quarter of next year. In the meantime, there's nothing to prevent mills producing more timber provided they are prepared to store it in anticipation of better days to come.

Main reason for the establishment of the TMB in the first place was to enable mills to pay better prices to growers and so encourage planting. Timber is regarded as a strategic industry. But at the moment it's clear that prices are being maintained by quotas at the expense of house building costs.

Timber cost for an average house, mostly incurred in roofing, is between R600 and R700. Had prices not been stabilised, these figures would have been lower at least for a limited period. In the past year there has been a rise of 25% in the controlled price of structural timber. It's unlikely price cutting would have reduced actual timber costs substantially.

There is obviously a price being paid for rescuing the higher cost section of the saw mill industry from the effects of temporary recession. Question is whether some of it should be saved at all, because in the normal course it would probably be rationalised out of existence anyway.

One timber man who believes the effort worth while is SA Forest Investment MD David Gevisser. "A rescue operation protects capital and skilled manpower in the short term," he says. "And these men have skills that will be needed when demand picks up."

Looking further ahead Gevisser foresees increasing consolidation among the sawmills, with the weaker units gradually being eliminated. He also advocates more sophisticated marketing techniques to meet conditions of growing shortage in the longer term of the mills' raw material.

"There's no real danger of a long term surplus of soft-wood timber either in SA or worldwide," Gevisser believes. "Competition from other users, such as paper pulp and chemicals, promises to be too strong."

That's not necessarily good news for the sawmills whatever consolation it may be for the growers. Even when demand revives and quotas are no longer needed, those mills determined to survive will have to revolutionise production and marketing techniques if they are to fight off rival buyers for their raw material and rival suppliers of substitutes for timber.
EAST LONDON — The Xhosa Development Corporation, Sappi Ltd, and the Hans Merensky Foundation have jointly acquired the controlling interest in the Stuttkor group of companies from Mr P. J. Swart, previous chairman of the group and controlling shareholder.

This has been announced by Mr F. S. J. Maritz, managing director of the XDC and new chairman of the Stuttkor group.

Stuttkor’s main activity is in Butterworth, on the Transkei, where a R3.3 million factory has been established. It concentrates mainly in the processing of indigenous wood from the Transkei and manufactures veneer and plywood. It employs 500 black workers.

Plans are in hand to expand the factory, which is equipped with the most modern equipment, imported from overseas, to create further employment opportunities.

Sappi, who already have an interest in the Transkei through Chet Industries — a match manufacturing company — together with the Hans Merensky Foundation, who have put up a sawmill in conjunction with the XDC at Singsi, have now, through the interest acquired in Stuttkor, expanded their activities in the wood industry of the Transkei.

Sappi and the Hans Merensky Foundation, with the XDC, plan to develop further the wood industry in the Transkei. Stuttkor’s other activities include sawmills at Butterworth, Cofimvaba, Banyana and Stutterheim.

At Stutterheim there is also a factory making doors, mosaic floor covering and furniture from indigenous hard woods such as blackwood, stinkwood and yellowwood — which is now South Africa’s national tree.

The new directors of Stuttkor are Messrs J. S. J. Maritz, Frans Mevenhull and A. D. Liefleldt (representing the XDC); J. E. Henderson and R. T. Day (representing Sappi); J. B. C. Roets and N. J. Morris (representing the Hans Merensky Foundation); W. R. M. Kulin and R. H. Addison (representing Hulets); P. A. Becker and K. B. A. Savin (representing certain minority shareholders).

— BUSINESS EDITOR
By COLIN CAMPBELL

BONUSKOR is looking at some of its minority investments as a means to raise additional finance, the directors say in their 1975 report.

At June 30 the total market value of these investments was R23 million, approximately one half of which do not have any real strategic value to BONUSKOR and can therefore be disposed of freely.

The rate of selling is obviously determined by market conditions and expectations of the board, adds. The directors are looking for higher profits this year despite the current fluid economic and monetary situation.

Saw-milling, an industry in which BONUSKOR has substantial investments, has been under pressure for some time.

Timber

Timber interests managed to achieve "reasonably satisfactory results" last year, but the board warns that if current weak market conditions continue, which are linked to the slump in the building industry, and quota restrictions are maintained, profits of the group's timber interests may fall, or less, be halved this year. In the year to June 30, 1975 net earnings rose from 16.6c to 19.5c a share and the dividend was raised from 6c to 7c. The directors defend the 2.8 times dividend cover because of the additional needs of the group and the climate of business conditions.

Net asset value was 38.1c a share at June 30 compared with 36.8c a year earlier. This week BONUSKOR shares were traded on the JSE at 70c.
Costly fire at plant.

*Mercury Reporter*

TWO HUNDRED tonnes of timber and £600 worth of wax was burnt in a fire at the Masonite Africa Limited mill at Canelands, North Coast, during yesterday afternoon’s heatwave.

Because of the danger to the ‘nearby’ factory, fire engines from Durban North, Tongaat, and Slangker were called to assist the mill’s own fire fighters.

The fire started when sparks from the mill’s waste burning dump were carried by the wind and landed in dry grass.
MACRALL TIMBERS, a wholly owned subsidiary of the Renee Group, moved to Prospecton in 1971. One of the reasons for the move was to be near the new Motor Assemblies plant, with whom the company has a contract to clear all packing case material once the contents of the packing cases have been used by the assembly plant.

Macrall use the recovered timber in the manufacture of boxes and crates, export pallets, workbenches, Wendy houses, pallet fencing and other items. As the recovered timber is mainly of a hardwood variety it is also popular with the building industry and homeowners, less inclined to warp and twist than the local pine.

Although the recovered timber was of the utmost importance initially, the trend has altered somewhat with new S.A. pine being used in 80% of the products manufactured.

A further reason for the move was to expand and improve facilities for the manufacture of pallets.

The company was the first in the country to install automatic pallet nailing machines to speed up production. Since moving to Prospecton a second, more advanced, nailing machine has been installed which has greatly increased capacity.

Macrall back up their sales with a pallet repair service and a recent innovation has been the introduction of a mobile repair service which undertakes pallet repairs on customers premises.

Operating from the same premises is another member of the group, Macpool National Pallet Hire. The company offers pallets for hire on a daily or contract basis. A feature of the service is that pallets may be used for consignment of goods centres in the Republic and the empty pallet returned to the Macpool depot in that centre.

Mr. Neville Thompson, Sales Manager at Macrall Timbers with one of the heavy duty nailing machines used in the manufacture of pallets.
Minister warns on an industry

Agricultural Correspondent

The timber industry was warned by the Minister of Water Affairs and Forestry, Mr. A. J. Rauenheimer, yesterday that he would not support price increases until the industry put its house in order.

Addressing delegates at the annual congress of the South African Wattle Growers' Union in Pietermaritzburg yesterday, Mr. Rauenheimer said: "I have very much fear that with continued price increases for structural timber, we have now reached the stage where this commodity may be substantially priced out of the market."

He said price increases would only be justified if the industry increased efficiency and productivity.

It was "disconcerting" that some industrialists solved the problems by putting up prices.

Mr. Rauenheimer said that in contrast to the wattle industry, "the forest and timber industries are experiencing lean times."

Money was tight "and it may become tighter before the position improves."

Mr. Rauenheimer said sales statistics indicated that with every increase in the price of structural timber, sales plunged.
TRAIN LABOUR, TIMBER INDUSTRY TOLD

Agricultural Correspondent

THE Minister of Water Affairs and Forestry, Mr. A. J. Raubenheimer, and the forestry director of Sappi, Mr. P. M. Stratten, yesterday appealed for better training of non-White labour in the timber industry.

In his opening address at a symposium on harvesting and transporting timber being held in Durban, Mr. Raubenheimer said: "Properly trained operators for expensive equipment, as well as trained labour to supply the essential supporting services are indispensable.

He said he hoped a training scheme established by the Forestry Council would be properly utilised.

Mr. Stratten stressed the importance of selecting and training workers.

"Rural Africans can be trained to operate and maintain sophisticated machines. They want to learn and teaching them can be very rewarding.

"In many respects southern Africa has some of the world's best workers who can be moulded to operate almost any system, given time and attention," Mr. Stratten said.
BY DAVID PINCUS

Major structural changes to the place in Federated Timbers; a number of the
price control

Sawmillers drop price control

"Some of our members have been trying to make the profit margins, but it's not working. We need to reduce prices to stay competitive."

South African sawmillers' prices may be going through their worst test as the second world war starts, and the effective protection of price control begins to fail.

The timber shortage has been gradual, with only a slight reduction in prices. This has led to some members increasing their prices, while others have held them steady. But now, with the increasing demand for wood, the sawmillers are finding it difficult to sustain their prices.

The sawmillers have been working under the price control system, which was introduced during the second world war. The system was designed to stabilize the market and prevent price gouging. However, with the war's end and the increasing demand for wood, the price control system is starting to fail.

The sawmillers are now faced with a dilemma. They need to reduce prices to stay competitive, but this could lead to a decrease in their profit margins. On the other hand, if they continue to hold their prices steady, they could face competition from other sawmillers who are reducing their prices.

The sawmillers need to make a decision on how to proceed. They need to find a way to balance the need for profit with the need to stay competitive. This could involve reducing prices, increasing production, or finding new markets. Whatever the decision, it will need to be made carefully and with consideration for the financial implications.

Decision

The sawmillers will need to decide on a course of action. They may choose to reduce prices to stay competitive. If they do, they will need to monitor the market closely to ensure they are not cutting their own profits. Alternatively, they may choose to hold their prices steady, but this could lead to losing market share to competitors who are reducing their prices. Whatever the decision, the sawmillers will need to act quickly and decisively to avoid losing their market share.
### Wilkinson-Lion

**A likely match?**

The British parents of Lion Match and Wilkinson Sword are respectively wedded and it would come as no surprise if, one of these days, the cohabitation of their SA offspring were to be put on a more formal basis.

- Wilkinson Match (UK) indirectly owns 60% of Lion (SA) and Wilkinson Sword (SA) is a wholly-owned subsidiary of its British parent. The relationship between the SA siblings is extremely close.

For example, the National Razorblade Company, a subsidiary of Wilkinson Sword, has set up a major plant in Lion's Cape Town.

In the case of European paternalism, a further point which should be noted is the proportion of total paternalism which constitutes paternalism in kind. In the case of European proportionalism, paternalism in kind would seem to account for the majority.

### Table 2: Average for Farm Labour and Domestic

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**Source:** Agricultural Census: Abstract of Agricultural Statistics.

**Note:** Includes domestic servants.
BEARDING THE LION

The takeover of Wilkinson Sword (SA) by Lion Match (FM June 3) is now subject to exchange control approval, a fact.

Yesterday Lion announced that it had struck a deal with Wilkinson Match (UK), the parent of both companies, albeit indirectly of Lion, whereby it has acquired, effective from April 1, the entire issued share capital of Wilkinson Sword (SA) for R50 000 cash.

"In addition," says Lion, "Wilkinson Sword (SA) has entered into technical assistance and trademark agreements with Wilkinson Sword (UK)."

Lion considers the deal a long-term investment which is not expected to have any material effect on earnings this year or on the net asset value of Lion Match as at year end on March 31.

Existing management structures will be unaffected and the move is considered as a strengthening operation which puts existing co-operation on a formal basis. Wilkinson has the consumer products and technical expertise while Lion has the distribution and marketing facilities known as Wilkinson Lion Sales, a division of Lion Match. Put the two together and you have a pretty sharp match.

Financial Mail June 17 1977

INTRODUCTION
Patience unrewarded

Forestry Minister Braam Raubenheimer's month-long extension to timbermen's plea for more time to consolidate their fragmented industry merely looks like delaying until July 31 their day of reckoning with Pretoria.

Not that official welding of a big stick at this stage will do much good. Millers working generally at only 60% capacity would welcome any plan to sell more if there were no buyers, all the prodding in the world won't help.

Raubenheimer's so keen on the R459m-a-year (1976) industry finding its own salvation that he gave its hard-pressed members six months to come up with suggestions for improvement. The alternative being he'll come up with possibly more stringent suggestions of his own.

"So far I've had nothing from them," he says.

The silence can be well understood. Since the industry was charged in December with the task of putting forward bright ideas, it's seen the timber marketing bureau's (TMB) official price list collapse. Most good is selling, when it can be sold, at prices 12% to 18% lower than last year, with, despite individual export efforts, little sign of demand picking up.

Reinstating the list would at least give millers a better deal for the wood they could sell (thus passing on badly-needed confidence to anxious growers) but to control the price they must also control at least 80% of timber coming on to the market. Less than that means millers outside the TMB (and even rogue members) could again undercut competitors, often enough to cause another collapse.

Raubenheimer's not likely to stand for this situation much longer — probably just one more month when he might act on "something I have formulated myself."

He's unlikely to go as far as setting up a Timber Board (on the lines of the Maroe Board and the like) but some sort of interference is imminent if the fragmented industry cannot re-organise to save itself.

A quota system based on turnover or timber volume marketed is already being mooted apprehensively in timber circles. Not what Raubenheimer wants, but when ministerial patience, persuasion, coercion and cajoling run out his bite might be worse than his bark.

Braam Raubenheimer... all eyes on the timbermen

Logging up sales

While the timber industry frets over Braam Raubenheimer's intentions, at least one merchant is getting his head down.

During the last six months, Satwil, the export arm of Wilco's Timber Products and allied products, has set up its own marketing operations in the UK, Holland, France, Germany, Italy, Switzerland and the Indian Ocean Islands and the Far East. The export target is between 500,000 m³ and 100,000 m³ of pine a year, with the next two years Satwil has already shipped 1,000,000 m³ (at value $250,000) to the UK and 700,000 m³ (at value $50,000) to the UK.

Satwil's chairman, Conrad van der Merwe, says he's ready for the Middle East and the UK as growth points. He estimates exports at an annual 200,000 m³ worth R260m at current prices. "Sawmill's view is realistic rather than optimistic."

"The world's not waiting for SA pine. Traditional supplies in Europe come from Russia, Canada and Scandinavia and the quality is better. Our pine competes in quality in certain areas like packaging material and building construction in less sophisticated markets. But no market is excluded to us. There's always a percentage of the market where we can compete in quality."

Selling will be a hard grind, he says. "We need our own specialist marketing operations to find specialist users for pine which we can cut to special sizes. We're not competing with bulk sizes from overseas." But given the marketing operations he sees the selling prospects as reasonable.

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SOUTH AFRICA HELPS THE WORLD FIND AN ANSWER TO THE FIREWOOD CRISIS

BY TONY SPENCER-SMITH

South Africa helps the world find an answer to the firewood crisis.

A SOUTH AFRICAN botanist is to play a key role in the battle to solve the world's growing firewood crisis.

Dr Tony Hall of the University of Cape Town has left for Washington to attend a meeting of 30 top world botanists.

They will discuss fast-growing trees which can be planted in areas denuded in the search for wood for cooking and heating.

The meeting has been convened by the US National Academy of Sciences and will be chaired by a Ghanian, Professor Edward Ayensu, head of the department of botany at the Smithsonian Institution.

The problem they hope to help ease is becoming urgent as populations continue to explode, according to Dr Hall.

He said vast areas around heavily populated localities were becoming bare of trees and bushes, forcing people either to spend a huge amount of time collecting firewood or buy it at steadily increasing prices.

"A lot of people are already in desperate straits because of this problem," he explained.

"It affects a large part of the world, including our own African rural areas."

According to the 1977 State of the World Environment report of the United Nations wood is considered the fourth most important source of energy, after oil, coal and natural gas.

The report states: "Many developing countries depend on wood as their major source of fuel. In rural areas of the Third World where wood is readily available, nearly 95 per cent of households use it as a primary source of energy."

In 1974, according to statistics . . . more than 45 percent of the total world timber production was used as firewood or as charcoal."

For the greater part of the world, says the report, wood is the energy source which satisfies the basic needs of cooking and warmth.

Points made in the report include:

- In hard-pressed firewood areas such as the Indian subcontinent and the Sudan-Sahelian region, people sometimes have to travel as far as 50 kilometres to find trees or bushes.
- Virtually all the trees within 70 kilometres of Ouagadougou in Upper Volta have been cut as fuel by people of the city, and the circle of land stripped bare for firewood is continually expanding.
- In much of India and also in Zambia, the forests are rapidly declining.

The burning question is: Where do these huge clearance projects result in the publication of a book.

Dr Hall said the three day meeting would result in the publication of a book.

"This sort of project is all part of the responsibility developed countries have to developing ones," he said. "The world has passed the point where people can live in isolation and ignore the welfare of future generations."
Clothing workers' jobs 'safe'

Financial Editor

THE directors of the clothing company, M. Rabie and Sons have told the 380 workers they have little fear of losing their jobs.

The company is a subsidiary of Fairweather Fashion Holdings which is expected to apply to the Cape Supreme Court tomorrow for a provisional liquidation order against it.

At a meeting on Monday, M Rabie's employees were told their company had a full order book.

It has close to R1 million worth of stock on hand.

Its main problem was its illiquidity.

The directors said there was every expectation of keeping the company in operation. At worst, the staff were told, every endeavour would be made to sell the company as a going concern.

M. Rabie and Son has been in difficulty for the past three years. This led to a number of management changes about a year ago.

Fairweather is also expected to apply for provisional judicial management orders against it by two other major subsidiaries, Atlantic Knitting Mills and Madame Lorraine Fashion Holdings. These two companies were both operating profitably when Fairweather’s profit and loss account was published.


Botanical Survey and Agriculture.

The role of aerial photography in sensing natural resources, at Natal Parks Game & Fish

Classification of stands of vegetation of the components and vegetation of the semi-arid Karoo.
K 4 L TIMBERS might have been a casualty of the terrible run that Ramsay had been on. An off day was just what the doctor ordered to de-
press his property career. With the overall market pressure, the stock was temporarily stopped. The
company's share price was down, and the outlook was bleak.

By John Cimore

It's hard to believe that the Bransby was the only company to have built a property in the area in recent years. The

1979 property crash had hit some of the

R201 000 for timber firm plots

EAST LONDON — Seven of the 15 plots which made up the premises of Premier Timber in Commercial Road here have been sold for a total of R201 000.

This was confirmed by a spokesman for the estate agency firm handling the sale of the subdivided property.

The area, most of it at present under weeds, was the former whippet race track many years ago. There was a public outcry in East London when a Mr Kohler said that that was the site he wanted for Premier Timber. However, council eventually agreed to his demands.

Five vacant plots have been sold. Two went for R17 000, one at R18 000, another at R19 000 and the fifth at R20 000. This was a total of R91 000 for the five vacant stands.

The plot on which the former office block of Premier Timber is still standing, 2 065 sq m in extent, fetched R70 000. The other with buildings on it, which were part of the workshops, went for R40 000.

The plots ranged in size from 612 sq metres to 2 065 sq metres.

Premier Timber did not own the property. It belonged to a Johannesburg Trust which leased it to Premier.

Premier Timber is now situated at Wilsonia.
MANUF. - Wood
1-1-79 - 31-12-80
EL timber price fixing alleged

EAST LONDON — The major timber merchants in East London have formed a cartel and stabilised prices, says Mr Colin Cockroft, manager of an East London joinery firm.

Not so, says Mr Stan Vroom, chairman of the Border branch of the Timber Trade Federation.

Other points made by Mr Cockroft included:
1. Because of the cartel, prices were no longer competitive;
2. Customers had not been pre-warned about the latest round of price increases — indigenous wood up 27.5 per cent and imported woods like meranti up 40 per cent;
3. Cash discounts or terms were no longer available to the trade;
4. It was not only the price of new stock that had been increased, but existing stocks, too;
5. There are a host of additional costs pushing prices up even further — 25 per cent extra for selected timber, 15 per cent extra for timber treatment, 10 per cent extra gauging charge, and 10 per cent extra for kiln-dried timber.

Mr Cockroft’s parting shot: “It’s a crazy situation and ultimately it is the man in the street who is going to have to carry the can.”

Replying to the allegations point by point, Mr Vroom said:
1. A previous price war in the timber industry got completely out of control with everybody losing — millers and merchants. The situation got so bad it went to government level and the government warned the timber millers that if they didn’t rectify the situation, the government would appoint a timber board.
2. “Well, the situation was rectified and the timber producers have formed a cartel, if you like, in the sense that they have stabilised their prices.
3. “All merchants pay the same price whether they buy their timber from a state or private sawmill.
4. “It is not correct in turn to say the merchants have formed a cartel. It is still an open market, especially on imported timber bought in volume.
5. “We cannot pre-warn customers about price increases because often we don’t know the price is going up ourselves. The price fluctuates with every shipment of meranti landed. We might be quoted a price and then find when it is landed it is 15 per cent more than we paid for the same timber last month.
6. “We never get any pre-warn ourselves. Personally, I think many of the problems in the joinery and building trades are because they don’t cover escalations in their tenders.
7. “We are not giving cash discounts or terms simply because we believe the merchants, are no longer getting cash discounts from the mills, whereas previously we were getting up to as much as 40 per cent discounted for cash and passing that on to our customers.
8. “We cannot stock up our yards in anticipation of a possible increase. On average, we carry stocks for about three months, but we could easily replace all our South African pine stock within two weeks.
9. “Consequently, we are constantly getting new stock which obviously is subject to price increases from the suppliers.

Parting shot from Mr Vroom, speaking on behalf of Buffalo Timber where he is a director: “If you consider our investment here we are getting nothing like a return on that investment.

“We would make a lot more money if we took our capital out of investment and invested it in a building society.”

— Business Editor
Natal timber firm breaks own record

RECORD South African timber consignments through Durban harbour have become almost routine for the Natal Co-operative Timber Company, the up-and-coming local exporters at Pietermaritzburg.

And their latest achievement, 13,000 tons of eucalyptus grandis logs despatched with the Greek bulker Eljaani to Montevideo in Italy, easily beats all their previous shipments

Highest single consignment export by NCTC out of Durban so far was 10,096 tons of pine logs which recently left port on the Ferjamaica for Marín in Spain.

With a delivery value of about R500,000, the current export shipment consists of 389,000 logs, sent to the docks in 563 rail trucks.

Railed via 37 stations in the Natal Midlands, it came from 92 different timber growers in the Harding to Kranskop range, said a spokesman for NCTC.

Stevedoring at Pier 107, where the consignment was shipped between February 2 and 30, on Monday morning at an impressive rate of about 2,100 tons a day, was in the hands of Sassco teams.

Mr. Jim Rewill, assistant Durban agency manager for African Shipping, local agents for the 20,016 dwt Eljaani (ex-Mekonvak) is full of praise for the SARH’s enthusiastic cooperation.

‘‘They’ve done an excellent job with coordination and prompt delivery of the logs. It was a mammoth operation requiring a team spirit. The Railways have given us their undivided attention to make this shipment a success,” he said.

Westport Navigation Corporation’s Eljaani was NCTC’s 10th timber export ship since the beginning of 1978. And their spokesman promised there would “certainly be more soon, with additional vessels”.

After extensive washing work on the logs above deck at Island View from noon on Monday, the Eljaani set out on her three-week haul to Italy that night.

With final loading operations still to be carried out and eucalyptus logs in meters above her foredeck, the Eljaani is prepared for her northbound trip.

Gerhard Schroedl suggests that more changes in assessment methods be made during the 1979/80 academic year to ensure students are not penalised for making mistakes in their work.

First year students registering for the 1978 academic year have expressed disappointment at the absence of a university course which was not being offered.

Hofmeyr, a first year student in 1977 who attended the 1976 or 1977 have reported that it was of great help in choosing subjects and framing a study plan.

Observations are of necessity only impressions of these matters are kept.

In the assessment field, I have not had the opportunity to question my students who have taken these questionnaires. Mr. G. van der Heijden, an examiner at the University of Stellenbosch, had the opportunity to question our students about the new assessment techniques.

1) Vereine - heute Interessegruppe
Lösung: Vereine - heute Interessegruppe

2) Verdiente Lehrtätigkeit in der Prä-Universitätsarbeiten
Lösung: Verdiente Lehrtätigkeit in der Prä-Universitätsarbeiten

3) Vereine - heute Interessegruppe
Lösung: Vereine - heute Interessegruppe

4) Formulation of objectives.
Lösung: Formulation of objectives.

(a) The main objective is to assist students in making up a curriculum...
TIMBER

Not out of the woods

Exports were the salvation of the timber industry last year. This much is clear from the annual report of the Timber Growers Association.

In the event they exported a considerable quantity of sawn timber, a fairly substantial quantity of pine and eucalypt round timber for pulp and 'achieved considerable success in the case of treated poles.' About 100 000 t of poles worth R4m to R6m were sent to Europe. Growers were also aided by Mondi's exports of newsprint which helped to maintain its intake of pine pulpwood at higher levels than could have been expected. Consumption of poplar was up 9.25% to 29 500 t due mainly to higher match exports.

Nevertheless, there appears to have been little improvement in the general oversupply which left growers, squeezed by rising costs, in a poor position to bargain with users for higher prices. A typical repose was SA Industrial Cellulose Corporation's unilateral increase of 60c/t for pulpwood when a 15% rise equivalent to between R1.20 and R1.40/t had been requested.

The oversupply situation has knocked back afforestation and the department of forestry's target of 50 000 ha a year compares with a mere 14 232 ha in the year to March 1978, the latest figure available. Although no revised target has been set, industry sources suggest 22 000 ha is what the department has in mind.

SA Timber Growers Association chairman Craig Anderson strongly disapproves of any reduction in afforestation on the grounds that timber growing as a long-term venture and to cut back now is bound to create shortages in years ahead and create instability in the industry.

Meanwhile the industry is looking for new uses for timber such as replacement of liquid fuel in industrial plants by solid timber and charcoal fuel or the conversion of wood to feed for livestock.

The forestry council has agreed to a report by Volly van Breda, to employ consultants to draw up plans for a pilot plant to produce fuel alcohol from wood and the consultants have been instructed to report back within four months.

It is definite that the wood chip export project will be moved to Richards Bay when agreement with the railways for the use of Durban Harbour loading facilities terminates during 1985. Land has already been bought at Richards Bay and if the planned export of a further 100 000 t of harbour chips comes off, it will be worked in with the existing facilities at Cato Ridge and Durban until the whole operation is moved to Richards Bay.
Workers get R28 a month

Anglo pay peanuts

By JOE THLOLE

AN-Anglo-American Corporation Company, De Hoek Saw Mill, pays some of its women employees R28 a month and some of the men R52.

The company, with its head office just outside Tzaneen, is a member of the Anglo American Industrial Corporation.

The workers POST spoke to alleged:
- The company provides breakfast and lunch on working days and they have to provide their own supper and weekend meals.
- The men in the single quarters sleep eight to a room.
- There are no lockers in the single rooms and the men have to keep their belongings wherever they can.
- For the married, a family lives in two rooms.
- Some workers on one of the company’s five plantations have had to build huts because there was no accommodation for them.
- The workers have to provide their own candles at night.
- One of the plantations has put toilets next to the cooking area.
- Sick leave and annual leave are 10 days each.

When we asked the company about these allegations, Mr Mike Markey, the personnel manager told us: “It is not the policy of this company to provide detailed information of the sort requested to any person or group not representative either of the employees or the shareholders.

“We would, however, like to make it clear that the policy of the company is to improve working conditions and terms of employment of all its workers.”

“It is recognised that the conditions which have applied to the sawmilling industry — being a rural operation — have been less developed than many other industries.

“The ability of the company to upgrade its facilities is dependent on profitability and it is only recently that the sawmilling industry has emerged from three years of deep depression, during which time most companies were exhausting reserves.”

Mr Markey added that the content of the questions made them believe that it is probably an ex-employee who gave POST information as it is “out of date and/or incorrect.”

POST was able to establish that before July, the minimum pay for men in the company was R46 a month. A recent wage determination has now raised the minimum to R52.

The women at the sawmill have a minimum of

It is bedtime in the single men’s quarters.
KAREEDOUW CREOSOTE WORKS

Up the pole — and down

The case of Murray & Roberts subsidiary Kareedouw Creosote Works Pty is a classic illustration of how badly things can go wrong in a market dominated by one major buyer.

In fact, Kareedouw Creosote, winner of this year’s State Award for Exports (primary section) would probably never have got into exports were it not for an amazing lapse of concentration at Escom, the monopolistic buyer in this case.

Until 1976, Escom accounted for 90% of KCW’s output of 40 000 m³-50 000 m³ of creosoted pine poles. GPO took the lion’s share of the remaining 10%. In both cases, the poles are used for overhead transmission lines, mainly in rural areas.

Expansion

Around this time, KCW balanced Escom’s projected expansion programme against orders and calculated that, on average, the corporation’s buying department had overstocked poles 5-7 years. The extent of over-ordering ranged from 31 years to 80 years for the various sizes of transmission line poles.

Faced with imminent collapse, company executives undertook a series of 30 foreign trips in search of new customers. The resulting success story is the subject of this year’s export award.

Last year, KCW recorded export sales of R1.7m, equal to 37% of gross sales revenue. This year, the company is assured of R1.4m (70% of gross revenue from sales) and next year, given a return to stability in fast-growing Middle East markets, exports will go to about R3.6m or 87% of total company sales.

In the case of one major Middle East contract, KCW tendered, came in lowest, and got the award. But, when it was discovered that the winner was an SA company, KCW saw it cancelled.

With commendable tenacity, KCW submitted tenders when the contract was re-opened and, sure enough, came first again. The award has been confirmed and the contract is currently being executed following payment on a New York bank.

Meanwhile, director Brian Bolton and C/M Dawse Lombard have been diversifying into fresh markets in Italy, Greece, France, Israel, Mauritius and Germany. In addition to lucrative orders from Middle East countries, which the company insists should not be named, substantial contracts have been won in black African countries which, likewise, the company is nervous about identifying.

Foreign recognition has been won not only on account of KCW’s keen bidding, but also because of the eminent suitability of the product for transmission line carriage. KCW’s sources of pinus plant, pinus contorta and pinus radiata on the wind-swept slopes of the Tsitsikama mountains, about 150 km from PE at the northeastern exit of the rich apple-growing region of the Langloof Valley, are internationally accepted as a superior timber for transmission line purposes to the slower-growing US and European pines and redwoods.

Creosote penetration is much greater on SA pine, a crucial factor when the poles are used in hot dry climate, and they are also a good deal stronger. SABS guarantees them for 40 years.

Transmission poles are usually between 9.5 m and 18.6 m long, the latter taking about 40 years to grow. Most of the poles are cut down in the Tsitsikama mountain forest reserve which stretches some 300 km from George to near Jeffrey’s Bay.
TIMBER

Wattle I do?

Competition from Brazilian Mimosa extract is making life difficult for the South African wattle industry. Sales of solid extract fell last year to 78,546 t (83,960 t) and bark quotes for 1979/80 have been reduced to 71% (78%).

At last week’s annual congress of the South African wattle growers’ union in Pietermaritzburg, president John Slater warned that while bark prices were expected to increase again this year to R65/t (R81/t), growers would have to accept lower price increases for a year or two.

Strategy to counter Brazilian competition arising from heavy plantings appears to be to hold prices. Marketing committee chairman Volly van Breda says that inflation in Brazil over the past 10 months has been running at 160% and that a 44.3% devaluation hardly counts at that rate. If Brazil is forced to raise prices, it may lose sales and come round to “a more reasonable attitude.”

New products such as the dust-free, powdered wattle extract developed by local extract manufacturers will also help.

Slatter announced that timber prices negotiated with the processors would increase from between 15% to 22% effective from January 1, if accepted by all buyers.

Growers have also won their battle with the Receiver of Revenue and will now be allowed to claim for the past four years’ contributions to export marketing of extracts as a direct expense.
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Acquisition plans?

Improving profitability in Lion Match serves merely to compound management's problem. The company has to invest its funds in an operation which will not dilute the current return on capital of over 20%. Obviously the alternative of paying all excess funds back to shareholders is not going to be pursued in spite of some motivation for that thought when the company paid a 5c a share bonus in the year to end-March 1978.

Improved profits in the six months to September 30 have allowed a 22.2% hike in the interim dividend to 11c a share. But the company's tradition of twice-covered dividends has been left intact, thus further bolstering retentions and cash on hand — which earned R201,000 interest during the six months under review. The company is likely to have over R5m to invest and, although chairman Alan Williams says no significant capital commitments have yet been made, the unchanged payout policy suggests an acquisition announcement shortly.

Lion Match... striking bottom fine growth

Competitive, low margin, shaving market Wilkinson Sword improved its share in an improving market while Camargue sunglasses increased penetration. No mention is made, however, of whether this market share has yet started returning profits for the group.

Williams expects the consumer spending upswing to carry on through to September 1980 at least. The increased level of profitability is forecast to be maintaining dividends being given to shareholders last valued in 1969. This will raise the return ratio but will further increase borrowing capacity already underwritten at 2% debt equity ratio in the medium to long term.

Prospects in the medium to long term are good. The share is tightly held with only 35,000 of the 115m shares traded in the last quarter. At 39c the share was 6.3% below the sectoral average of 40c. High margins and intense competition in Lion's operating areas should prevent a lower yield. Dividend growth is Lion's strength, however, and the share is a good buy.

Financial Mail December 7 1979
Chet expands its Transkei interests.

EAST LONDON - Butterworth-based Chet Industries, which manufactures Lion matches under licence and other small wooden products, is flexing its muscles.

Established in 1971, Chet was one of the original 18 industries in Butterworth. It was closed down after going into liquidation, has taken over Transkei Timber (Pty) company manufacturing laminated beams and re-established the factory in Butterworth, and has acquired the equity and assumed the management of the Umtata Timber Development Company.

Chet's expansion programmes were outlined by the group's managing director, Mr Cecil Kessler, when he addressed a rural development symposium in Umtata on Tuesday.

The old Stuttkor, now operating under the name of Chet Board (Pty) Ltd, a company formed to restore production at the original Stuttkor factory.

The new installation has been completed and the factory now has the capacity to produce 1,000,000 square metres of blockboard and 400,000 square metres of plywood annually.

Chet Board has also signed a supply contract with a major European company for future development. The contract is valued at R5 million a year or R30 million over the initial period of the contract.

In the factory the contract is expanded to produce 25 cubic meters of laminated beams daily from March.

If projections for 1980 are attained, following reconstruction and expansion, the Umtata Timber Development Company, a major saw-milling operation, will produce a minimum of 10,000 cubic metres of kiln dried sawn timber monthly, compared with less than 500 cubic metres before the company was restructured.

Existing timber derivative industries established by the Chet Group for future development include an adhesives factory, which will ultimately draw its raw materials from wattle extract produced in Transkei from indigenous wattle plantations, wood flooring, development and expansion of the furniture industry, manufacturing further small wood section products in kitchenware, wooden spoons, paint and wooden boxes, and industry, and the installation of waste-compacting equipment to supply local needs - a firewood industry.

"Houses produced by this system will undoubtedly provide much better housing for the existing houses constructed from concrete and blocks," Mr. Kessler said.

It would generate considerable activity in such services industries as a chip board factory which would obtain its raw material from forest waste and thinnings, the manufacture of doors and windows, and ultimately, other fittings when quantities justified it.

In the short time it has been going Chet Industries has chalked up some impressive statistics.

It now produces more than 1,300,000 lollipop sticks daily and is the sole supplier to South African sweet manufacturers.

It produces 13 million wooden clothes pegs a month of which 40 per cent will be exported to Europe and Canada this year.

And it produces some two million toothpicks daily.

Lollipop sticks, clothes pegs and toothpicks were all previously imported and Chet are well advanced with new development plans to manufacture 200 million ice cream sticks annually, another item previously imported.

Chet expands its Transkei interests.

EAST LONDON - The managing director of Chet Industries, Mr Cecil Kessler, has appealed to the Transkei Department of Forestry to plant poplar domes to provide Chet's Butterworth match factory with one of its major raw materials.

Chet, established in Butterworth in 1971, originally manufactured Chet matches, but now manufactures the market leaders, Lion matches, under an agreement with Lion Match.

The company has also diversified its product range and now also manufactures lollipop sticks, clothes pegs and toothpicks and will shortly start manufacturing ice cream sticks.

Speaking at a rural development symposium in Umtata, Mr. Kessler said Transkei's forest resources represent the greatest prospect for industrial development in the immediate future.

"An area of 295,000 ha, 6.7 per cent of the total surface area of Transkei, is suitable for fororestation," he said. Of that area 300,000 ha had been put under plantation of mostly pine, eucalyptus and willow.

Mr. Kessler also called for a massive state intervention in utilizing Transkei's forest resources, adding "I am concerned by the fact we have a considerable number of saw mills in Transkei. Each has its own problem and each making its own decision about disposing its products. If the timber derivative industry is to develop larger is its raw material source must be secure. The Government must ensure this."
Expansion in timber industry

BY ANDREW McNULTY

The R700-million-a-year timber industry is in the throes of a wide-ranging expansion programme.

After several years of dismal losses, the industry has returned to earning good profits with demand rising strongly on all fronts.

The dramatic upturn has caused some consumers in the building industry, which takes about 60% of the timber producers' output, to fear shortages — if temporary — of timber as demand accelerates rapidly.

Bottlenecks threaten as the producers strive to increase their production capacity or to divert shipments from the substantial export markets.

Bruce McKenze, chairman of the SA Lumber Makers Association, says a surplus still exists in saw logs — used in building — but this is disappearing fast.

Some major producers have young forests, and can only expect to increase saw log output significantly by about 1981.

New export markets were created in the past few years to become a useful cushion during the local economic slump and now account for some 10% of total sales, although exports are less profitable than domestic sales.

Mr McKenze says with the saw milling producers now at full capacity, the lift-off in the building industry places a question mark over export markets.

"It took a number of years to build these markets and it would be a major tragedy if they were allowed to fall away," he says.

Growth of about 4.5% a year in output is forecast over the next five years in saw logs.

The pulp and paper producers, who own a large share of the country's timber industry, are also engaged in a huge expansion, bringing on stream new pulp-making plants to meet the needs of the growing economy.

Sappi, a producer of timber from 57,000 ha of forestry land in the Eastern Transvaal and Natal, plans to spend R600-million in the next five years on modernising and improving plant.

Aimed at getting the best return on trees, the Group is examining the feasibility of high speed saw mills adjacent to pulp mills as well as extracting additional by-product chemicals from pulping processes.

Mondi Paper Company, in the Amcor group, is engaged in a similar spending programme.

It will spend about R150-million on new paper machines this year and in 1981 that will make Mondi one of the biggest single mill complexes in the world, with an annual production capacity of some 480,000 to 500,000 tons of paper product.

Mondi wholly owns SA Forest Investments (SAFI), the largest integrated forestry and sawmilling operation in southern Africa, owning and leasing a total forested area of 44,005 ha in South Africa and 24,902 ha in Swaziland.

SAFI's 1979 results show the industry's recovery.

SAFI reports an accelerating demand for timber in the latter part of 1979 with selling prices also improving from the very low levels of previous years.

These factors, together with better productivity in sawmilling and forestry operations, resulted in a turn-around from the 1978 loss in 1979 to a R15.5-million profit in 1979 despite escalating costs.

Mr R K Donner, managing director of Mondi, tells Business Times: "Demand is extremely strong on all fronts. We are budgeting for improved sales of structural and building timber in domestic and export markets."

Brunnseed Holdings, (Brunnly), also in the Amcor Group, supplies timber for building and furniture-making. It increased its profits from R25.5-million in 1978 to R11.4-million in 1979 and forecasts full utilisation of the sawmilling industry's capacity will be achieved in 1980.
The man who summarily sacked at least 180 workers from his sawmill in January, leaving them jobless and their families hungry until emergency feeding schemes were set up, has sold the sawmilling empire to a subsidiary of Barloins for more than R3 million.

He is Baron Nicky Behr, whose Kurand Sawmills at the Crags near Plett enberg Bay and 220 hectares of plantations were sold to Thesen and Company of Knysna in a R3.4 million deal. The sale was announced by Rand Mines Properties, owners of Thesens of Knysna, who in turn are controlled by the giant Barloins conglomerate.

Kurand Sawmills was reported to be in financial difficulties when the workers were dismissed on the day the mill re-opened after the Christmas holidays.

They had been given no notice when the factory closed for the holidays. At the time the manager, Mr. Derrick Le Velle, confirmed that there were negotiations with Anglo American Corporation for a takeover but this apparently soured. Baron Behr refused to discuss the mass sacking or the possible takeover.

Baron Behr’s father, the late Baron Pieter Behr, acquired the property in 1932 shortly after he arrived in South Africa from Germany.

In 1935 his ’only son Nicky took over the management of his investment in the timber industry of the Southern Cape. When Baron Pieter Behr died in 1974 his son inherited the title.

When people at the Crags and Plettenberg Bay heard of the plight of the sacked workers and their families in January, they immediately rallied round to help.
In the eight months to end February cover was increased to 6 times, which is hardly a reassuring sign. But when new management has been running for a year or more and a position can be made.

Chairman’s view

The company’s earnings and trading volume last quarter were 6% above last year’s levels before tax. And the directors’ are looking for an improvement this year while the trading and operating divisions which are based on Great Bank River in the Cape, are making contributions to earnings.

It is too soon to tell what effect the takeover by GMB’s investments will have on the company. It is to be hoped that an early development will be a more generous distribution policy. Under the control of the previous owners, dividend cover was highly conservative, averaging about 4½ times. And this is reflected in the market’s rating of the share at 3½ times.

In pricing the share at 500¢, the market clearly expects a strong dividend advance this year even without operational changes. There is scope for an earnings advance to at least 5¢ and a dividend rise to 2¢.
Deputy Financial Editor

HUNT Tuchman & Hephurn, the R383-million-a-year family-controlled timber, steel, building products and engineering group, is to issue 10,000 new shares at 40c in a rights issue to raise R15 million.

The register will be closed on June 13 to determine shareholders eligible for the rights. The letters will be listed on June 16 and letters will be posted to shareholders on June 20. The last day for dealing in the letters will be July 2 and the new shares will be listed from July 10.

The new shares will be eligible for the dividend for the six months to August 31 to be declared in October.

With the share price on 95c, down in line with the market and, perhaps, in anticipation of the rights issue - from a high of 570c in February, and issued share capital rising only 10% as a result of the issue, the issue is at an actively pitched on a historical 7% dividend yield.

UAI, the underwriters, are unlikely to have to take up any stock. There should be a fairly lively trade in the few letters outside family hands.
TIMBER

Felling controls

Government is planning to sell off 3-4 state-owned sawmills to private enterprise. A spokesman for the Department of Forestry confirmed this week to the FM that negotiations are in progress, but would give no further details.

Although government is still the largest single owner of plantations — owning 313 000 ha out of a total 767 000 ha — and operates seven sawmills, its withdrawal is expected to continue (concomitant with rationalisation in the industry), says Bruynzeel MD Pat Latham.

During the Thirties, the State entered the industry to demonstrate that it could be made viable.

But the private sector has always resented the fact that the State does not pay sales tax or import duty, has special deals on fuel, is the largest supplier and competitor, as well as the authority that examines the financial statements and makes the rules of the game.

Emphasising there won’t be a total government withdrawal from the industry, Braam Raubenheimer, Minister of Forestry, said in February that in some in-
stances it may be desirable and even essential that the state should maintain its interest in the industry in one form or another.

It seems that for the first time since 1974, timber supply and demand is in equilibrium, says Wilnie Hattin, assistant director of the SA Lumber Mills Association.

The industry is currently consolidating the gains achieved since 1979 in the domestic sphere, and those won over the last few years in the export field, he says. Capacity, he adds, should increase by about 12% over 1980 as a result of the domestic economic upturn. But there is a question mark hanging over the relatively less profitable export market — which now accounts for some 10% of total annual sales and was created during the local slump as a useful cushion.

According to Latham, bottlenecks are a problem, particularly in recruiting skilled labour and in kiln (drying) capacity. Not that this has deterred pulp and paper producers — who own a large share in the industry — from engaging in huge expansion bringing on stream new pulp making plant to meet the needs of the growing economy.
TIMBER SALES

Growing greater

After three years of operation, the Central Timber Co-operative Ltd. secured a contract for the export of 150,000 ton of wood chip to Japan the first delivery scheduled for April 1969.

The present contract allowing for the sale of 150,000 ton of wood chip a year to Japan through Durban F.C.C. in 1965.

Accordingly, the co-op is proceeding with the construction of a second roll mill at Richards Bay on its 60ha site. Costing R300,000, it will be completed by the end of 1969.

Another development is the increased export of logs mainly to Japan and Korea which is expected to exceed 600,000 net cubic in KwaZulu this year.
SA timber plantation... not growing fast enough

Still a further boost to the industry has been the increase in demand for creosoted poles by farmers, post offices and municipalities. "Over the last four years, sales have grown from R300,000 a year to R6,3m a year," says Central Timber Co-op GM, Craig Anderson. Meanwhile, the long-standing feud between small growers, represented by the SA Timber Growers Association and the Forest Owners Association has been resolved. "We now have one body representing all the timber growers, and after several lean years the only cloud on the horizon is whether we will have enough timber to cope with future demand," says
BUSINESS MAIL

Lion strikes 28% rate in growth

In its forecast, Lion Match is holding its rate of earnings growth at around the 28% mark, with two thirds of its current 18-month financial period behind it. The tempo may quicken in the last third.

The second interim report just issued shows earnings per share for the 12 months to March 31 at 59.6c - exactly 28% up on last year's 46.3c. The 25c dividend at 29% higher than last year's "normal" payment of 50c to which a 5c non-recurrent bonus dividend was added.

Because the company has changed its financial year-end to September 30, the present financial period covers 18 months.

The first interim report covering the first six months to September 30, 1979, showed earnings by up by 27.5% and the forecast for was for "the level of profitability to be maintained for the remainder of the financial period". That it has been, with all divisions contributing except the Malawi, where escalating costs reduced profit levels.

Turnover in the 12 months rose 17.5% to R66,200,000 with operating profit rising almost 28% at R7,700,000. Net interest received improved moderately and taxation was at much the same incidence as last year. The net profit attributable to shareholders reached R4,500,000, a 28% increase.

The South African match operation experienced good trading conditions and, with higher volume sales plus improved efficiency, produced a satisfactory increase in profit compared with the 12 months of the previous year.

In Zimbabwe, better operating results were recorded despite continuing pre-settlement distribution problems and disruption from call-up commitments. The Malawian subsidiary did not achieve profits at last year's level on account of escalating production and distribution costs.

The Interpack printing and packaging group's sales were higher than in the previous year. Margins improved and operating profits exceeded those of last year.

In the personal products division, Wilkinson Sword improved both turnover and operating results in the period under review.

The new "profile" brand swivel head twin blade system has made a good impact in the higher priced sector of the wet shaving market, while in the mass sector "Lion" blades gained further market share. The "Carmargo" range of high fashion sunglasses increased market penetration and made a much improved contribution. Sales of scissors and garden tools also increased.

The forecast for the next six months is that improved economic conditions in South Africa plus a recovery in productivity in post-war Zimbabwe should combine to "at least maintain the improved level of profitability experienced over the last 12 months".

Lion Match shares are currently priced at about 40c, at which level they yield 10.6% on earnings of 51c and 5.2% on a dividend of 26c.
KATZENELLENBOGEN

Reorganising

Timber group Katzenellenbogen is to reorganise its operations and concentrate all trading, milling, industrial and commercial activities in its biggest subsidiary, while hiving off property interests into another.

The group is determined to streamline to take full advantage of growing demand for building products. As yet, no details are available on how the changes will affect earnings, but some of the rationale behind the moves is to improve on the recovery from the losses of 1977/78.

Ahead of the changes, 100%-owned York Timber is the biggest subsidiary, with a turnover three times that recorded by the next biggest. It is also, according to chairman Solly Tucker, the name best known in the timber industry. It possesses all the major connections, and is thus the natural vehicle for restructuring the industrial and commercial activities of the group.

Consequently York will acquire all the assets (other than immovable property) and liabilities, lock, stock and barrel, of Nicholson & Mullin, York Lumber, Granite Producers, Pretoria Amalgamated Transport, Ranch and Katzenellenbogen itself.

The second step will involve the concentration of all immovable properties under one umbrella, Inland Properties (formerly Inland Industries). Seven of the nine companies will continue to hold their properties under 100%-owned Inland. The remaining two, Mitchellickay and Vanetra, will become 10%-owned by the group following the sale of 90% of the equity to a joint-venture partnership which plans to develop the properties at a cost of about R15m.

The rationalisation, subject to court sanction, will take retrospective effect from July 1, 1980. It has not come before time, as shareholders sat out two empty years before the company once again paid a dividend in 1979. The share price has doubled over the past year and, at R90c, yields an historic 3.2%. The share may not be the most exciting around, but apart from any earnings improvement arising from reorganisation, the directors' holdings will be less than the current 88% of equity. That may improve marketability.
Now name is Yorkcor

SATZENELI ENROGEN, the timber and property-owning company which is listed on the JSE in the building section, is to change its name to the York Timber Organisation (Yorkcor).

Shareholders will be asked at a general meeting on July 31 to approve the proposal.

The reason for the change is that the proposed new name reflects more appropriately the company's main activities and objectives.

The main subsidiary is York Timbers and in an internal restructure of the group all trading, milling, industrial and commercial activities will be undertaken by York which is a 100% owned subsidiary.

Nine companies within the group own properties. Seven of these will be owned by a wholly owned subsidiary, Inland Industries which will become Inland Realty.

Two of the companies which are not wholly owned are participating in a development scheme which will be managed by Inland.

Three surplus companies will be de-registered.

Figure 2.1
Labourers down tools

 Own Correspondent

MARITZBURG. At least 100 labourers downed tools to dispute a salary-grading system at the Maritzburg (African) Factory in KwaZulu-Natal, according to senior district police.

A shift refused to pick up tools at midnight on Thursday. When colleagues arrived at 8am yesterday, they were persuaded to join the strike, according to a Durban spokesman for the company, who said that the strike was caused by a misinterpretation of a grading system recently introduced.

Management met a labour-harmonisation committee later yesterday.

The labourers returned to work later and the day shift was back to normal within an hour, police said.
Timber men in price rise push

As a direct result of the recently announced increase in pulp timber prices, the Forest Owners' Association was pushing for an increase in the price paid to timber growers for mining timber, the chairman of the association, Mr Bruce Mackenzie, said in Johannesburg.

''Far more stringent specifications than for pulp logs are demanded by the mining timber manufacturers for their raw material. Consequently the growers have in the past been compensated by receiving a higher price for mining timber than for pulp logs,'' he said.

''With the latest price increase being paid for logs for pulp, this price differential has all but disappeared.

''If the correct differential between pulp wood and mining timber prices is not reinstated, growers will supply timber for pulp and for export in preference to mining timber''

South African gold and uranium mines were the major consumer of mining timber, using about 1.8m tons of timber a year.

It was vital to the South African mining industry that adequate supply of mining timber always be available.

''The Forest Owners' Association, has approached the South African Mining Timber Manufacturers' Association requesting an immediate price adjustment of mining timber.

''The matter is an urgent one, and we hope that we will receive a satisfactory response from the mining timber manufacturers' association soon,'' Mr Mackenzie said.

— Sapa
Yorktim pays out record R595 000

THE York Timber Organisation (formerly Katzenellenbogen) earned a record R595 000 for ordinary shareholders in the year ended June 30.

The chairman, Mr Solly Tucker, believes this upward trend will continue throughout the current period.

The group’s financial year-end is being changed to December 31 and the current six-month period will be treated as a full year for dividend purposes.

Summarised results issued today show that the attributable profit increased 122% and earnings per share rose from 25,0c to 65,0c.

A dividend of 15c (9c) has been declared.

The group continues to benefit from an effective tax rate of only 18% — a level which Mr Tucker says will not increase significantly “if at all” in the next six to nine months owing to the level of new capital investment, export tax incentives and the historic assessed/computed tax loss positions within certain York subsidiaries — Sapa.
21 1/2% on earnings 7 1/2% on dividend
Caver sales P/E ratio 4.8

77 78 79 80
Sales $11.0 11.0 16.6 18.0
Operations profit 11.0 12.0 12.0 18.0
PPE (Produced) 10.0 11.0 11.0 12.0
In Stock 10.0 10.0 10.0 10.0
Gross profit 24.0 28.0 27.0 30.0
Income before tax 14.0 16.0 17.0 19.0
Dividend per share 1.5 1.6 1.7 2.0

Although Masonite has fully recovered from its losses of the mid-seventies and is now considerably stronger financially than was the case a few years ago, the market seems to have some doubts as to whether the group can maintain its improved position.

The year to end-June saw a number of new records established in earnings, dividends and further improvements in profitability as well. The net return of 22.4% on equity funds invested in the company's shares rose well above the non-recurrent figures recorded before non-recurrent items 4%, more than four percentage points better than the previous year. Also, earnings per share rose over the past three years, virtually all borrowings have been repaid so far, whereas in 1977 the debt to equity ratio was not far short of 70%. The company is now to all intents and purposes 'unleveraged'.

This metamorphosis, however, is hardly reflected in the current market price of 10.0, although this is double the price a year ago. It does not come anywhere near matching the 250% increase in the annual dividend (4c. against 4c. in 1979) with the result that the present 7.1% historic dividend yield is considerably higher than the 4.4% yield in October 1974. It is also one of the highest yield on the current building sector average.

The actual test of course will be to see how the company performs when activity in the main industries it serves - including building, furniture, automotive, consumer electronics, packaging, shopping and signwriting - is cut off. The market is probably correct in keeping a somewhat chequered past in mind, but the present rating does not appear to take into account the major structural and marketing changes which have taken place over the past couple of years.

On the manufacturing side, one of the most important moves was the closure of the Camlet factory in 1977 and the transfer of plant to the Keston factory. This process is not yet complete, but the installation of the new equipment has already had a beneficial effect on the Keston operation which was operating at optimum capacity last year. The transfer will be completed by the end of the current financial year, by which time hardboard capacity will be increased by more than 50%.

With regard to marketing, the company is taking over the management of Masonite Corp International, the British and European sales division of the Masonite group worldwide from its US parent. Although it is already exporting to these markets - foreign sales were worth some £2.5m last year - it will now have the advantage of direct control over the operation because of the normally counter cyclical nature of the domestic and overseas markets.

Also on the marketing side the range of products manufactured and sold may be expanded which should hopefully make the group more sensitive to economic conditions than was the case a few years ago.

For fiscal 1981 which will be a 14-month accounting period to bring the year end in line with Masonite Corp of the US, the directors see activity at least being maintained at the present level. They warn, however, that the "very deep recession moving across the international horizon will probably affect the SA economy at some stage.

But on the present outlook, even if the group does no better than to match last year's second-half performance it should be able to produce annualised earnings of 5c.

On this basis, the prospective yield must be in excess of 10%, which is not easily matched under present market conditions.

From Thompson

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**MASONITE**

In top form

Activities: Manufactures hardboard, insulation board, wood and mineral fibre ceiling panels, and decorative wall panelling. Masonite Corp of the US holds 64.7% of the equity.

Chairman and managing director: F J. Raubenheimer

Capital structure: 6.5m ordinary shares of 50c. Market capitalisation R11.85m.


Share market: Price 180c (1979-80 high 195c, low 55c. trading volume last quarter 269 000 shares). Yields

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LEON MATCH FM 23/4/80

Matching up

The 18 months to end-September included the major turning point in consumer spending patterns. So although Lion Match, which is switching from a March to a September year-end, has included annualised figures in addition to the gross figures for this period, it fails to give a true reflection of how the group is benefit-

ing from the upturn. The annualised figure smooths out the first six months to end-
September 1979 when parts of the company were operating unprofitably and the last six months when a significant improvement has been achieved.

To compare the group's performance more realistically with the rest of the economy, therefore, the figures from the last six months have been compared to those of the corresponding period to end-September 1979. On this basis, turnover was up 24%, pre-tax profit by 55.8%, and attributable profits by 61.7%.

This improvement underlines the success of Lion's diversification programme which aims to lessen the group's dependence on the match division (about 70% at the end of the previous fiscal year). Because, as MD Bob Harker points out, match sales are somewhat depressed during an economic downturn, but do not react as strongly as a number of other sectors to an upturn nor are they helped by strict price controls.

Not so Lion's packaging division, the Interpak group, which has reported the highest growth during the past six months. Not surprisingly, management is continu-
ing to look for acquisitions in the consumer-oriented industries, and the area which has been recently pinpointed is kitchen and garden hardware. But having an idea and actually making an acquisition are two very different things.

Harker confirms that although pack-
ing showed the largest improvement, results across the board were better. The improvement in pre-tax profit turnover ratio for the last six months, from 16.5% in the period from April to September 1979, to 20.4% in the last six months, does not signify a substantial improvement in margins in the major divisions. Instead, says Harker, it is indicative that the parts of the group which were operating unprofitably during 1979 have substantially increased their contribution. This indicates that sunglasses marketer Camargue, acquired during the previous financial year, is now making a positive contribution to profits.

Total earnings for the 18-month period were R7.9m or an annualised R5.3m (R3.6m). This was achieved on turnover of R74.2m, annualised to R49.5m (R39.4m). The tax rate was marginally lower at 41.4% (44%), and annualised pre-tax profit 40% higher at R8.9m (R6.4m).

While profit performance is fairly difficult to measure in a comparative fashion, dividends too have been complicated by a "bonus" payment in the previous year, and a non-recurring 5c payment last year to celebrate the group's 75th anniversary. The total payment for the 18-month period was 4c, but less the 5c bonus, this represents an annualised 26.7c, the previous year's payment before bonus was 20c, so this broad comparison indicates a 26% dividend growth.
Sawn timber adds to Sappi’s hopes

Sappi, Africa’s largest pulp and paper producer, hopes to gain a profitable slice of South Africa’s growing timber market as part of a new expansion programme.

A new division, Sappi Timber Products, will supply sawn timber to local and overseas markets and chips to Sappi’s paper mills.

The division aims to gain a 20 percent stake in the R150-million timber market by 1988.

Sappi is also considering expanding the capacity of the R20-million Cape Kraft mill in Cape Town, which should be completed in a few months.

The company has collected large quantities of waste paper to be processed when the mill is commissioned in June next year.

The mill will provide the Western Cape packaging industry with Intern and fluting for corrugated boxes.

The key to Sappi’s new timber interests is the siting of the sawmills close to its pulp mills. Each tree can then be processed for maximum revenue without incurring huge transport costs.

The first step in the new development has been the purchase of a sawmill at Elandskloof, on the edge of Sappi forests in the Eastern Transvaal near Krugersdorp.

The second step is the construction of a R65-million sawmill adjoining Sappi’s Tugela pulp and paper mill in Natal.

South Africa, in November 1979, is an active participant in the current population survey. The current population survey has provided evidence from the current population survey of the size of the labour force and unemployment.

The regional distribution of economic activity and unemployment...
Allegations of a price fixing agreement

Bid to stymie lumber millers

THE furniture industry is doing its utmost to stymie what it believes is a tight price fixing agreement among the lumber millers who supply the bulk of its timber.

The furniture men are concerned that any agreement by the suppliers of their main raw material to lay down minimum prices would weaken their bargaining position in price negotiations and force up costs of manufactured furniture.

The Federation of Furniture Manufacturers, the industry's negotiating body, has already asked the Competition Board to investigate allegations of the lumber millers' restrictive business practices.

In terms of South Africa's anti-trust legislation, the board may investigate "any particular type of business agreement, arrangement, understanding, business practice or method of trading which...is commonly adopted for the purpose of...the creation of maintenance of restrictive practices". A restrictive practice includes compelling one supplier to stick to prices agreed by his "competitors".

The Competition Board has told the federation that it will act against the lumber millers only if the furniture industry can prove that millers are being compelled to quote certain minimum prices. The federation will presumably now try to lay its hands on that proof.

The allegations of price-fixing concern mainly pine and saligna, the principal types of timber produced by members of the South African Lumber Millers' Association (Salma).

Thanks to the boom in housing, construction and furniture manufacture, local timber is currently in short supply. The furniture industry, among others, is wondering to what extent the 20 percent hikes in timber prices announced recently by Salma members, is connected to the surge in demand.

Timber men point out that Salma already operates a pricing agreement for structural timber. Ironically, this agreement has the full blessing of Pretoria, which sanctioned it in the depths of the 1975-78 recession in an effort to breathe new life into the then-floundering lumber industry. In the words of one industry executive, the agreement is "working well".

Representatives of the furniture and lumber industries are believed to have had several meetings to discuss the price-fixing complaints.
The strike began when workers returned from a three-week holiday, during which they demanded a substantial salary increase and better working conditions. However, the company refused to negotiate. As a result, the workers struck at the metal box plant and walked out. The company assured its customers that work would continue as usual.

Mr. Barker, the company's managing director, said that the company would not negotiate with the strikers until they returned to work. He also announced that a number of buildings with a specially designed housing scheme for workers had been constructed. Mr. Barker said he was confident that management and workers would come to an agreement.

A spokesman for the Metal Box plant, Mr. P. Redden, said that everything was back to normal at the plant. Nearly all of the 500 workers who went on strike had returned to work after Christmas. He said that the Dorset TOE plant's morning newspaper denied the report that workers had gone on strike.
Mr. J. W. D. Mayne, secretary of the Federation of South African Workers, yesterday accused the strikers of the plant of having "hounded" the strikers, and of being "laid off" for their striking action. Mr. Mayne also said that he had been informed by the police that the strikers had been "laid off" for their striking action.

Meanwhile, the strikers were not allowed to return to work, and the police were called in to maintain order. The strikers were later allowed to return to work, but only after the police had been called in to maintain order.

The police were called in to maintain order, and the strikers were later allowed to return to work.
Lion Match sees brakes on spending

By DAVID CARTE
Deputy Financial Editor

Lion Match expects brakes on consumer spending, a neutral Budget and slower earnings growth in the current year, says the chairman, Mr H Alan Williams, in the company's 76th annual report.

But he is confident earnings will rise more than the inflation rate.

Last year Lion pushed up sales 25% to R74 227 000, operating profit 45% to R12 839 000 and net profit 50% to R7 784 000. Earnings a share rose 48% to 89,9c and the dividend 33% to 26,7c.

Bojant consumer spending led to greater demand for all Lion's products thus, cost cutting and a lower tax rate were behind the improved figures.

The match division produced "very satisfactory results", while Interpak, the printing arm, contributed 30% of operating profit. Wilkinson Sword produced a "much improved" performance in highly competitive markets.

The South African match operations performed "satisfactorily", and as a result of peace the Zimbabwe branch improved operating profit 34% Malawian match sales rose 6% by volume, but profit was "considerably" lower.

No accounts were received from Mozambique and this division's results were excluded from the consolidated accounts.

Following the introduction of its Profile swivel headed razor, Wilkinson claims its share of the wet shaving market grew from 20% to 24%.

The chairman devotes more than a third of his review to staff and employee relations, stressing that Lion is an equal opportunity employer, paying the rate for the job and offering all employees pension rights.

But he makes no mention of the strike at the Rosslyn factory.

At the yearend, the group had net cash of R32-million and a current ratio of 2,6.

This liquidity "provides considerable flexibility to take advantage of future investment opportunities continually being sought by management".

Lion earned 65% before tax on assets and 19,3% after tax on shareholders' funds.

COMMENT: Lion Match's growth has traditionally been steady rather than spectacular, although the latter adjective might have applied last year. The group is probably good for 20% earnings and dividend growth in the current year. At 95c Lion yields a historical 6% and, on my projection, a prospective 7,5%. Relative to other industrials, this is fair value, but with gold falling and inter- est rates rising, the whole market looks vulnerable.
Growth at Lion Match to top inflation rate

Sales of Lion Match products will increase this year in spite of Government moves to curb inflation as the current growth phase of economy is soundly based, says the chairman, Mr H A Williams, writes Mervyn Harris.

He says in the company’s 75th annual report that he expects the Government to reinforce a reduction in the rate of increase in consumer spending through a largely neutral budget.

However, continued real growth in consumer spending will enable the company’s growth to top the inflation rate.

Most of the group’s manufacturing units succeeded in containing costs within their budgets last year.

The match operations again produced satisfactory results but the packaging division contributed more than 30 percent of group operating profit and is reducing the group’s dependence on matches for profit.

Wilkinson Sword also reported a much improved profit performance.

The company’s match division also improved its performance in Zimbabwe following the end of hostilities.

It was hit, however, by raw material and factory cost increases in Malawi and erratic production and sales-tax increases in Mozambique.

Company sales increased last year by 25 percent from R39m to R49m. A lower tax rate helped boost taxed profit from R3,4m to R5,1m.

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Fine Art & Architecture

For the best student in:
- For the best student in:
  - Cape Peninsula Institute of Architects’ Prize
  - Cape Provincial Institute
  - Architecture Prize

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Helen Gardner Travel Prize

P F Dunkley
Sixth Year

For the best student in:
- Of Architects’ Prize
- Cape Provincial Institute
Lion Match workers return to work

Pretoria Bureau
A total of 250 striking workers at the Lion Match Factory in Rosettenville returned to work yesterday after agreeing to a wage adjustment on February 1 instead of March 1.

The return comes after an ultimatum by the company last week.

The workers were told to return to work by 7 am yesterday, or face dismissal.

A company spokesman, Mr A P van Wyk, said it had been agreed before Christmas that employees' wages would be increased at the beginning of March. The wage scales had been published.

Mr van Wyk said there had been some confusion which had resulted in the company bringing forward the date of the increases to February 1.

He said this had been meant to help meet the needs of workers who faced an increasing cost of living.

For the best work in Fourth

Osbourn Prize

S A Koad

For the best first year student.

General J B M Hertzog Prize

D H Price for best presentation of professional practice, surveying, in the subject of architecture (or quantity for the best student of

David Hudson Prize

Miss C Thompson

For the best woman student.

Holly Calhoun Memorial Prize

P A Appopot for report on last, and third major courses.

Helen Gardner Travel Prize

P F Dunchley

Sixth Year

For the best student in:

Cape Provincial Institute

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute
The problem of rainfall and its effect on the timber industry is of great concern, particularly in the context of climate change. The timber industry is heavily dependent on rainfall to sustain its operations, and any reduction in rainfall can lead to a decrease in the supply of timber. This, in turn, can affect the agriculture sector, as timber is used in building and other industries that rely on it.

There are several factors that contribute to the rainfall patterns in the region. The most significant factor is the changing climate, which has led to a decrease in rainfall in many places. This is due to the increase in temperature, which causes the atmosphere to hold less moisture, resulting in less rainfall.

In addition to climate change, there are also other factors that can affect rainfall patterns, such as the El Niño-Southern Oscillation (ENSO) phenomenon. ENSO is a pattern of alternating warm and cold phases in the Pacific Ocean that can affect rainfall in the region.

To address these issues, there is a need for a coordinated approach that involves stakeholders from different sectors. This includes the government, the timber industry, and the agriculture sector. The government can provide support through policies and programs that promote responsible timber harvesting and sustainable agriculture practices. The timber industry can also play a role by adopting sustainable harvesting practices and investing in research to develop new technologies that can improve the efficiency of timber harvesting.

In conclusion, the problem of rainfall and its effect on the timber industry is a complex issue that requires a multi-stakeholder approach. By working together, we can develop solutions that ensure the sustainability of the industry and protect the environment.
A SPECIALISED felling and bunching machine, introduced by Barlow’s Tractor Division, is expected to take the sweat out of tree-felling and make a significant impact on the local timber industry.

The first Fleco feller-buncher on the local market, mounted on a Caterpillar 930 front-end loader, has successfully completed a three-month trial run at Sappi Forest’s Rockloof plantation near Howick.

The Fleco-Caterpillar combination is part of the new direction in the timber industry. It not only increases cutting capacity but, because it can do its own bunching, eliminates the need to employ extra choker men (cutters). The unit averages 36 cubic metres of timber an hour and is designed to work in tough, hilly terrain coping with slopes of up to 15 degrees. It also works in rough undergrowth, cutting both softwood and hardwood, leaving a markedly reduced stump height, which results in considerably more wood volume harvested per tree.

Income (R per week)  
Number of Families Cumulative  

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<td>33.00 - 36.00</td>
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Good pruning

Activities: Sawmiller, manufacturer and distributor of timber and timber products. The directors own 84% of the equity.

Chairman and managing director: S. Tucker

Capital structure: 896,000 ordinaries of 50c. Market capitalisation: R2.9m.


Share market: Price: 320c (1980-81 high, 450c. low, 110c. trading volume: last quarter, R260,000 shares). Yields: 33.6% on earnings, 63% on dividend.

Cover 5.4. PE ratio: 3.0

Return on cap % 12 18.3 19.6 14.9
Turnover (Rm.) 6.1 8.8 11.0 16.6
Pre-tax profit (loss) (R000) (168) 636 730 836
Gross margin % 0.9 9.1 10.4 9.2
Earnings (loss) (c) 413 221 640 1074
Dividends (c) - 9 15 20
Net asset value (d) 204 237 436 495

* Six months to December 31 * Annualised

Yorkcor's second annual report in the past six months reveals no major change in direction. Annualising the six months trading results keeps the group's two-year recovery trend on course.

Not that much else can be inferred from the annualised figures, however, as the trading period in the December half is seldom similar to that in the first half. The building and construction industry, for example, is closed for most of December and buying in the preceding months tends to taper off.

But the buoyant nature of sales to a booming building industry in the six months to December 31, 1980 can clearly be seen when results are compared with the 1979 December-half's taxed profit of R182,000. The second 1980 period saw a threefold increase.

On an annualised basis, the earnings increase in 1980 was 67.8%. Main reason for this was group restructuring, as margins have come under pressure.

It is dangerous to read too much into these annualised figures however, as both margins and return on capital could be widely different at various stages in what is a seasonal business.

The increase in earnings was much boosted by the utilisation of tax losses made available by the rationalisation of dormant and operating companies.

On the figures, the group appears to be withholding an unwarranted proportion of earnings, paying out only 18.5% of profit.

The debt equity ratio is low and gearing has plenty of upward potential by that yardstick, as well as on a cost basis.

One of the reasons for higher retentions, however, could be restraints on finance availability imposed by cash flow fluctuations in the slacker November to January period, and another might be the major expansion programme now planned.

At balance sheet date, capex commitments were only R164,000, but by mid-March, according to chairman Solly Tucker, they were up to R1.5m. for the current year. Cash flow servicing will be more than adequate, but at current interest rates the cost will be reduced using internally generated funds and keeping gearing at about the same level.

The re-vamped organisation has, for the first time in years, the appearance of a cohesive, growth-orientated group. The segmentation of the do-it-yourself and the furniture markets for extra sales growth could provide useful counter-cyclical earnings and could be a strong growth area.

The shares are thinly traded and the low price suggested by the PE ratio is academic. A substantial buyer would soon push the price higher. Tucker's next board meeting should examine ways to increase share marketability.
York employees out on strike

BY MONK NKOMO

York Timbers Ltd employees in building materials

MORE than 200 employees at York Timbers Limited in Pretoria went on strike yesterday morning demanding an increase of R2.50 an hour.

According to one of the employees, the strike began at about seven in the morning. After the workers had all reported for duty, most of the strikers, he said, were on a weekly payroll.

He told SOWETAN that the minimum starting wage was R2.90 a week for male labourers and R2.91 for women. The more than 200 workers have threatened to continue with the strike until their demands are met by management, he said.

A committee of 15 workers was selected yesterday morning to negotiate with management after the employees had refused to be represented by the Union committee, he said.

"The Factory Manager, Mr W Smith, had earlier told us that management would only negotiate with the Union committee. But later the director of the company, Mr Golly Tukker, together with Mr Trent Oliver, executive director, agreed to meet the chosen committee of 15 at about 8 o'clock," he said.

According to a source, a member of their representative left the meeting after 15 minutes with a request from the director that they should resume their duties whilst the talks were held.

They refused, he said. The strikers dispersed at 8.30 after they were told to report to their duties. He threatened that the strike will continue until their demands were met by management. "We either receive R2.50 an hour or nothing," he said.
Only a few illnesses which are not emergencies need to be referred to Pretoria for specialist treatment. For these we have a ‘call for the ambulance’ to be used for emergencies. The cost is then borne by the patient. If the injury or illness is serious, the attendants are sent for to assess the patient and then refer him to the nearest hospital.

Another local factor is the cost of treating a patient. This is not covered by the National Health Insurance. The cost is usually borne by the patient, and in some cases by the employer. The cost of treating a patient who is not seriously ill and has a minor injury can be quite high.

3) In many cases, particularly in the case of a patient who is not seriously ill, the cost of treating the patient can be quite high. If the injury or illness is serious, the attendants are sent for to assess the patient and then refer him to the nearest hospital.

Mrs. Smith, a patient at the hospital, was treated for a broken ankle. She was referred to a private hospital where the cost was higher. She was treated for several days and then discharged with a cast. The total cost of her treatment was approximately R1000.

The treatment of Mrs. Smith was quite expensive, but it was necessary to ensure that she would make a full recovery. The hospital had to be involved in order to provide the necessary medical treatment.

Mr. White, another patient at the hospital, was treated for a fractured leg. He was referred to a private hospital where the cost was higher. He was treated for several days and then discharged with a cast. The total cost of his treatment was approximately R1500.

The treatment of Mr. White was quite expensive, but it was necessary to ensure that he would make a full recovery. The hospital had to be involved in order to provide the necessary medical treatment.

In conclusion, it is important to ensure that patients receive the necessary medical treatment, regardless of the cost. The hospital must be involved in order to provide the necessary medical treatment.

The cost of treating a patient is often quite high, but it is necessary to ensure that they receive the necessary medical treatment. The hospital must be involved in order to provide the necessary medical treatment.
Timber firm agrees to deal with Saawu

By PHILLIP van NIEKERK
Labour correspondent

EAST LONDON — The management of Buffalo Timber here has agreed to recognise the unregistered South African Allied Workers Union (Saawu) as representative of the majority of workers at the firm.

A spokesman for the firm, Mr S J Vroom, confirmed yesterday that the firm had agreed to deal with Saawu on an informal basis, adding that the firm did not intend to enter into any formal agreement with Saawu.

"We are prepared to deal with Saawu because we believe they represent the majority of workers on our staff," he said.

Mr Vroom estimated that Saawu membership at the firm was about 95 per cent. He said a committee composed of Saawu members had been elected to represent the firm's black workforce and to liaise with management.

Meanwhile, a spokesman for another firm, Nairn Industries, refused to comment yesterday on a Saawu claim that the management at the firm had agreed to recognise Saawu.

The development at Buffalo Timber follows the decision by management at the giant SA Chloride plant to formally recognise Saawu last year. This was the first firm to recognise the union.

Many firms in the East London area have been wary of recognising Saawu because of its objections to registration and because they suspect the union of having political motives.

However, earlier this year the Border Chamber of Industries supported the principle of talking to unregistered trade unions provided they could show they were representative of the workforce.

Last month a referendum was conducted at Johnson and Johnsons and Saawu gained a 93.3 per cent "yes" vote. On the strength of this management at the plant and Saawu are in the process of drawing up a formal recognition agreement.
Pietermaritzburg native

CHARGES of trespassing
brought against 411 strikers
from a Natal sugar com-
pany were dropped when
the men made their second
appearance in court
yesterday.

The men, who first ap-
ppeared in the Pietermaritz-
burg courthouse, were ar-
ettempted to accommodate
the men were charred with
trespassing after they failed
to leave their company's
premises after a strike last
month.

Although the men were
discharged on the trespass-
ing charges, a Supreme
Court case in which some
of them are claiming they
were unlawfully ejected
from their quarters by the
Union Cooperative Bank
and Sugar Company is due
to start tomorrow.

A spokesman for Fecatu —
the Federation of South
African Trade Unions —
confirmed yesterday that
the case would take place.

At least 185 affidavits
had been collected from
workers bringing the ac-
tion, she said.
Looks expensive. It is probably best left alone until there is evidence of a stronger financial structure.

Chris Wilson
The 186 Dalton strikers who brought a court action contesting their eviction from factory-owned lodgings will have to appear in court personally to make their claim.

The decision to refer the matter for hearing was made by Mr Acting Justice Booysen yesterday when he gave judgment on an urgent application by the men who contended that they had been forcibly ejected from the quartered quarters at the Dalton Union Cooperative Bank and Sugar Company's premises after a three-day strike.

The dispute began shortly after the company had joined the Industrial Council, the Judge said.

Because they could not afford the minimum wage paid to more profitable companies, they were granted a differential pay rate 15 percent below the minimum, Mr Acting Justice Booysen said.

However, the company subsequently agreed to pay the higher wages but informed labour they could no longer supply free rations.

But, because the average increase would be about R59 and the subsidised food cost about R24 per man, they would be getting an effective increase of R35 a month they were told.

The men appeared to have accepted this, the employers said, but on March 31 had demanded a R24 increase over and above the increase. When this was refused they had gone on strike.

After three days they were warned to leave the premises, and, when they failed to do so, were arrested by police.

Almost the entire labour force of 414 appeared in court on the charges which were subsequently withdrawn.

Because there was a dispute over the facts of the case this should be resolved before the case went further, the Judge said.

The men should appear personally to give oral evidence on their affidavits which ran to 1,712 pages, he said.

The case was adjourned to a date to be arranged.

The awarding of costs for the original application was reserved until the hearing had taken place.
### Migrants down tools

The managing director of Boskor (Pty) Ltd, Mr F. Both, yesterday refused to comment about the labour situation at the plant, but a police spokesman at the district headquarters said negotiations over the wages and working conditions were fruitless and that the plant was closed.

A shortage of migrant workers, comprising local and migrant workers from Ciskei down tools on Monday after demanding wage increases.

The sawmill was closed and no subsequent negotiations were held.

The best start work again yesterday afternoon.

The Boskor sawmill is on at Klombox on the Garden Route near Storms River.

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<td>2 Gemiddelde aantal Saterdae wat arbeiders werk per jaar</td>
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<td>6 Gemiddelde afstand vanaf naaste dorp of stad</td>
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<td>7 Gemiddelde belegging in arbeidsbehuizing per permanente</td>
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<td>8 Weeklikse loon per gereelde arbeider</td>
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Met die Tabel onder beskouing is dit met die eerste cogosaplag duidelik dat daar nie 'n ernstige arbeidtekort in die onderzoek gebiede was nie.

Vandag kan afgelei word, veral as daar gelyk word na die sosiale faktore (1 tot 3), dat arbeiders van boere wat nie tekort ondervind het nie, effens beter byvoordele geniet.

Die gegevens van die boere is toe verder verwerk deur gebruikmaking van 'n reglynsge regressiefunksie $(Y = a + b_1X_1 + b_2X_2 + \cdots + b_nX_n)$ en meer spesifiek die betekenisvolheid en korrelasie te bepaal tussen die afhanklike veranderlike en die onafhanklike veranderlikes. In hierdie geval was die afhanklike veranderlike $(Y)$ gelyk aan arbeidtekort en faktore 1 tot 8 soos in die tabel, gelyk aan die onafhanklike faktore in die regressiefunksie.
Bibliography:


Board of Trade and Industries. The Industrial Potential of the Chemical and Allied Industries in R.S.A. 1963.


Lion Match roars ahead

Johannesburg — Growth by the Lion Match Company during the half-year to March 1981 has more than outrun the inflation rate with earnings 33% higher at 36.16c a share compared with 27.14c for the same period of last year.

The dividend has been lifted to 18c from 15c with the cover increased to 2.61 times against 1.94 times last March and 1.68 times for the full year.

Turnover was pushed up 31.9% from R22m to R29m and the operating profit was increased at a faster rate in the first six months of last year operating profit was 15.9% of turnover in the latest report it has gone up to 17.3%, reflecting a better use of assets.

The attributable profit rose from R2.375m to R3.170m which should be compared with the annualized result for the last full accounting period, September 30, 1980. Higher profit was R5m, which tends to suggest a net of more than R6m for the end of the current financial year.

The directors, however, are not so sanguine. They do not expect consumer spending in the second half to be sustained at the same level as during the first half of the current financial year. Consequently, they feel that the level of profitability will not be repeated in the current six months.

But they do forecast that earnings are expected to be at least 20% higher than the annualized figure for the previous year.

On this basis last year's earnings were 56.3c so that the forecast figure is about 72c, about double the earnings of the first half.

The match business is doing well and with export orders all three factories are working at full capacity on a double shift basis. The packaging, printing and personal products divisions are performing well.

Lion has acquired the assets of Cheil Industries' match business in Butterworth. This will not only give Lion a direct interest in Transkei but also some diversification — a range of wooden products in Transkei and a chemical-based home care products industry in Kempton Park.
is unlikely. This year 2.24 m³ of wood is being auctioned in the southern Cape compared to 889 m³ in 1980.

Grewar says weather conditions in the area have resulted in heavy wildfires estimated to make up 40% of the logs on auction.

Gert Pretorius, conservation officer for the Tsitsikama region, says there will be a marginal less yellowwood on sale in that area but he endorses the view of Grewar and furniture manufacturers who use these pricey timbers that demand is in.

What of the export market? Says Cowboy The market for high quality hand-made furniture of solid wood is extremely high. There is a tremendous shortage of solid hard woods in the US, Western Europe and the UK.

He says most of the furniture there is treated with either wood or plastic veneer on a chipboard base—a trend resisted by those who can afford better.

Cowboy stresses however that furniture manufacturers in SA would be strongly opposed to the export of indigenous wood planks, as it would have adverse effects on the manufacture of Cape Dutch furniture in this country.

Besides, it one considers Knysna manufacturers Jonker Brothers who last year bought a stinkwood log for R9 500/m³ and made a profit of R30 000 on the resulting furniture of an estimated 100 000 on the local market.

### Table: Indigenous Wood and Other Hard Assets

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A reason for the ongoing price rise is that the annual cutting of trees in the Knysna Forest and other Garden Route plantations is carefully controlled by the Department of Forestry in the different regional sections. This complies with legal restrictions for the felling of stinkwood which have been rapidly enforced for several years.

So an oversupply of high grade wood

Mossel Bay and the Keurboom Rivendal and the Tsitsikama area between the river and Port Elizabeth.

Usual, each region holds its auction at different times, but this year the one will immediately follow the other, moving along the Garden Route to different auction centres.

### NOTE CAREFULLY

1. Enter at the top of each page and in column (1) of the block on this cover the number of the question you are answering.
2. Blue or black ink must be used for written answers. The use of a ball point pen is acceptable. Red or green ink may be used only for underlining, emphasis or for diagrams, for which pencil may also be used.
3. Names must be printed on each separate sheet (e.g. graph paper) where sheets additional to examination book(s) are used.
4. Do not write in the left hand margin.

### WARNING

1. No books, notes, pieces of paper or other material may be brought into the examination room unless candidates are so instructed.
2. Candidates are not to communicate with other candidates or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commissioner or to an invigilator before leaving the examination.

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

Made in South Africa

PSL/UPD 100 000 1978

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Vereende in Suid Afrika
500 out on strike — but trade union does not approve

The strike has been condemned by the union to which the strikers belong.

Company management representatives met the strikers, but were not available for comment.

The strikers, from Federated Timbers in Paterson Road, North End, and the company's Bell Paddy mill, gathered at 8am outside the front gate of the Paterson Road headquarters of the company.

The main demand was for £15 an hour — triple the amount many of the workers are earning.

Workers interviewed were adamant they would not return to work before the demand was met.

A union spokesman said: "We have no choice but to continue our strike until our demands are met. We are not willing to be provoked. We are in a state of shock because the cost of living is soaring beyond our means."

The workers—men named Piero, workers in the office, and the electrician, were having problems with pay and were not getting their demands.

The strikers and their families were assembled at the front gate of the Paterson Road headquarters, and were the result of increased demands made by the men and women of the Paterson Road, and Communist Workers Union.

"We are all leaders and have not chosen workers to represent us in talks with management," one worker said.

"We have a serious problem with workers who are not prepared to talk to us in a reasonable manner. We have made an appeal to the government to get the men back to work," he said.

The strike was a result of increased demands made by the men and women of the Paterson Road, and Communist Workers Union.
160 workers at PE timber factory lose jobs after strike

By SANDRA SMITH

ABUNDANTLY 160 workers at Federated Timbers who stopped work yesterday in support of their demand for higher wages, have been dismissed.

The regional manager of Federated Timbers, Mr T. Batha, said today the workers had indicated that they had dismissed themselves by leaving the premises yesterday.

Only about 160 workers were involved, not 600 as was stated yesterday.

He said the striking workers, who represented a third of the black work force at the timber yard, would be paid out today.

He also confirmed that worker representatives had met with management to discuss an increase in weekly wages, and that during the discussions a complete work stoppage occurred.

The workers gathered outside the timber yard today, after which they held a meeting at the Holy Spirit Hall, Kuwakale.

A spokesman for the workers said before the meeting that they would continue to report to work until they were reinstated at the new minimum wage demanded.

At a meeting with the Federated Timbers management yesterday, worker representatives demanded a minimum wage of R1.65 an hour.

The workers said that their walkout yesterday was not connected with the anniversary of June 16, and the fact that it fell on that day was coincidental.

A spokesman for the General Workers Union of South Africa (Gum), which is not recognised by Federated Timbers, said the union would meet with the workers at the Holy Spirit Hall today to establish what their grievances were, after which they would arrange to meet the company's management.

Mr Batha said that workers' wages had been increased this year in accordance with Industrial Council agreements which set the minimum wage at R1.65 an hour.

"With this minimum wage paid down, it is not correct to say that the workers' demand for R1.65 is triple the amount many are being paid (as was claimed by workers yesterday)," he said.

The company had budgeted for increases of between 20 and 25%, depending on the job grade, for later in the year.

This would be on a non-discriminatory basis.

Workers had been told that their demand for a 100% increase in the minimum wage rate was excessive.

If, he said, they were not prepared to wait for the promised increases the company would have no objection to them seeking alternative employment.

- 23 -
PORT ELIZABETH — The 160 workers who walked out yesterday at the General Timbers plant here lost their jobs, a company spokesman said today.

The managing director of the company, Mr. T. Botha, said workers gathered at the plant gates for the second successive day today.

They had been told that management rejected their pay demand, and that if they did not return to work today they would be regarded as having terminated their services.

He said arrangements had been made so they could be paid out today.

He said the number of workers who had walked out was not 500 as initially reported, but 160. They were the black labour force of the plant — one third of all the workers.

The workers on strike are to be members of the General Workers Union (GWUSA), demanding a R16.15 an hour minimum wage.

A GWUSA organizer, Mr. Sipho Pitana, was trying to arrange a meeting of the workers and the union in New Brighton today to stabilize their situation and to decide on their action.

The union had not yet made official contact with management.

GWUSA is an affiliate of the Metal Assembly and Component Workers Union — a new union which started at Ford and has mushroomed in recent months.

Its members recently staged a strike of 2,500 workers in the motor industry here.
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Source: own compilation 1972/3

About 200 workers at the Federated Timbers Factory in the Irata fallow area joined the Federation of Workers' Councils of Workers' Councils of the United Farm Workers in Namibia (Landswirtschaftszensus 1972/3).
1,000 U'hage workers still on strike today

By B. U. C. AND A. N. H. M. L.

After a long wait, the workers of U'hage
Protest at the pay demands of the owners on
the 1st of the month. The owners have
announced.

1,000 workers were on strike last week,
but now only 700 remain. The owners
have refused to meet the workers,

Workers' demands have been
refused.

C. W. of the United Union of Labor
Agents and Teachers Workers
Workers, who are affiliated to this union,
were met by the owners on April
2nd. The owners have refused to meet
the workers, who are now striking for
higher wages.

About 1,000 workers were on strike last week,
but now only 700 remain. The owners have
refused to meet the workers.

In an interview, M. N. and M. M. had
been asked if the workers would
return to work.

Free demands, but not prepared to
return to work.
MEDICARE IN A "COLOURED" TOWNSHIP – THE PATIENT'S VIEW

Introduction

Ocean View came into being in 1968 to accommodate the 10,200 coloured people living in the area south of a line between False Bay and Chapmans Peak on the Cape Peninsula. At that time the coloured people lived in three distinctly different areas, depending on their social class and economic status. The largest concentration of coloureds, at least half the total coloured population, lived in a very near Simon's Town. They were mostly English-speaking and mostly lived in the naval dockyard or nearby areas. The second largest group of coloureds lived in Fish Hoek, on the northern side of Table Bay, and were mostly Afrikaans-speaking and mostly lived in the town or nearby areas. The third largest group of coloureds lived in the suburbs of Cape Town, and were mostly Afrikaans-speaking and mostly lived in the suburbs of Cape Town. The population of Ocean View was largely composed of coloureds from these three areas, and the population of Ocean View was largely composed of coloureds from these three areas, and the population of Ocean View was largely composed of coloureds from these three areas.

This paper deals with the experiences of patients with colorectal cancer in Ocean View, and the role of the hospital in providing care for these patients. It also discusses the problems and challenges faced by these patients and their families in accessing care, and the role of the community in providing support for these patients.

The paper is based on a survey of 50 patients with colorectal cancer in Ocean View, conducted between January and June 2018. The survey was conducted by interview, and the results were analyzed using qualitative data analysis techniques.

The study found that access to care was a major problem for patients with colorectal cancer in Ocean View. Many patients had to travel long distances to receive care, and this was particularly difficult for patients who lived in the suburbs of Cape Town. The lack of public transport and the high cost of taxi and car travel made it difficult for these patients to access care.

The paper also found that the hospital in Ocean View was not well equipped to provide care for patients with colorectal cancer. The hospital had limited resources, and this was particularly challenging for patients who lived in the suburbs of Cape Town. The paper discusses the challenges faced by the hospital in providing care for these patients, and the role of the community in providing support for these patients.

The study found that the hospital was not well equipped to provide care for patients with colorectal cancer. The hospital had limited resources, and this was particularly challenging for patients who lived in the suburbs of Cape Town. The paper discusses the challenges faced by the hospital in providing care for these patients, and the role of the community in providing support for these patients.

The paper also discusses the role of the community in providing support for patients with colorectal cancer in Ocean View. The community played a major role in providing support for these patients, and the paper discusses the challenges faced by the community in providing support for these patients.

The paper concludes by discussing the need for improved access to care for patients with colorectal cancer in Ocean View, and the need for improved resources for the hospital in Ocean View.

References


Strike-hit farmers hold talks with unions

Own Correspondent
PORT ELIZABETH — Representatives of trade unions were to have urgent meetings today with the management of three strike-hit plants in Port Elizabeth and Uitenhage.

Quick settlements emerged out of the questions at the two companies involved — Federated Timbers in Port Elizabeth and Dorby Automotive Products in Uitenhage — have rejected workers' pay demands, which are at the centre of the action.

At Federated Timbers, the whole African labour force of 200 has been dismissed after a walkout on Tuesday.

The managing director of that company, Mr T. Roth, said today that the company had begun employing new workers yesterday.

Mr Roth said he was to meet a delegation from the General Workers Union (GWUSA) today.

He was prepared to talk but regarded negotiations as finished.

At the two motor component plants of Dorby in Uitenhage, about 1,000 workers awaited the outcome of negotiations.

The secretary of the National Union of Motor Assembly and Rubber Workers (NU-MARW) in Uitenhage, Mr. A. de Marco, said when the union told the workers yesterday that Dorby management had rejected their minimum wage demand of 32 an hour, they walked out.

REINSTATE

Meanwhile, Brigadier Charles S. B. Rees, head of the South African Bureau of National Security, has confirmed the recent detention of 16 Pretoria trade unionists.

And in Port Elizabeth, the chairman of the N.S.W.S.A. and three other members have been re-detained under section 6 of the Terrorism Act.

C. See Page 2.
Uitenhage strikers dismissed after refusing to return

By BILL GARDNER

About 1 600 striking workers at Dobry's two motor component plants in Uitenhage were fired yesterday for failing to respond to management's ultimatum for a return to work.

The firm today started recruiting a new work force.

The executive director, Mr. W. L. Pienaar, would not say how many workers had been hired but said dismissed workers would be considered for re-employment.

The National Union of Motor Assembly and Rubber Workers of South Africa (Numunasa) — which represents the striking workers — has called a meeting of the dismissed Dobry workers in an attempt to urge them to reconsider their decision to continue with the three-day-old strike.

At a meeting today workers unanimously decided to continue with the strike until management accepted their R1.50-an-hour demand.

Workers have rejected the pay offer recommended by the Industrial Council for the Engineering Industry of R1.25 an hour.

According to the local Numunasa organizer, Mr. Ed van den Berg, management was prepared to meet for further talks with union officials on July 2, pending improvements in absenteeism and productivity.

He said the union would recommend that workers accept a compromise wage offer but would not recommend anything less than R1.50 an hour.

However, Mr. Pienaar said from Pretoria today that the firm was willing to meet union officials before that date.

Meanwhile the Port Elizabeth-based General Workers Union of South Africa (Gewusa) is continuing its attempt to have 290 dismissed workers at Federated Timbers reinstated.

The workers were dismissed after management rejected their demands for a 10% increase in weekly minimum wages.

Management told Gewusa officials yesterday that the wage issue was "non-negotiable" to the union represented workers who were no longer employees at Federated Timbers.

The company was still prepared to talk to Gewusa officials and worker representatives about the re-employment of the dismissed workers.

"Federated Timbers are not prepared to reinstat the workers, so some people with 23 years' service will lose all their long-service benefits," a Gewusa spokesman said today.

In a statement today, Federated Timbers said that though the firm could not meet the demands made by striking workers, an increase of between 20% and 30% in minimum wages had already been budgeted for later in the year.

"Workers who accepted this were given the opportunity to return to work.

"To ensure that the commitments of the company to its customers continue to be met, new workers are being taken on in the place of those who did not accept management's offer, with the result that operations virtually returned to normal yesterday," the statement said.
PORT ELIZABETH — More than 1,000 workers at Dobay's two motor component plants in Uitenhage decided yesterday that they would continue their strike until their union resumed wage negotiations with the management on July 2.

In Port Elizabeth meanwhile, efforts by the General Workers Union of South Africa (Gwusa) to secure the reinstatement of about 200 workers dismissed or Federated Timber have been unsuccessful.

At a stormy meeting in Uitenhage at which officials of the National Union of Motor Assembly and Rubber Workers of South Africa were shouted down when they suggested that workers return to their jobs, the union was instructed to convey the decision to the management.

The Dobay workers, who are paid minimum wages of R1.13 an hour, downed tools on Wednesday after demanding a minimum wage of R2 an hour.

Union officials said the company was refusing to go higher than the R1.36 an-hour minimum recommended by the Industrial Council for the Engineering Industry from July 2 — Sunday.

See Page 4
Most of fired timber workers back at their posts today

Post Reporter

MOST of the workers at Federated Timbers in Port Elizabeth who lost their jobs last week after a pay strike, returned to their posts today.

About 200 workers downed tools last week after management rejected their demands for a 100% increase in the weekly minimum wage rate.

The firm started recruiting a new work force last week and dismissed workers were given the opportunity to return.

Workers said they were dissatisfied with the present 80c an hour minimum and demanded an hourly minimum of R1.65.

Federated Timbers, however, said although the pay demands by striking workers could not be met, an increase of between 20% and 30% in minimum wages had already been budgeted for later in the year.

Most of the dismissed workers returned to work today.

The firm had already engaged a number of replacement workers but official figures could not be obtained. All who returned today will be accepted back but it is not clear whether workers will be reinstated or re-employed.

If they are reinstated, workers will not lose accumulated long-service bonuses and holiday pay benefits.

Meanwhile management at the strike-hit motor component firm, Dorbyl, in Uitenhage, would not say how many workers had been recruited after the dismissal of 100 strikers last week.

Recruitment has reportedly been slow and one of the two plants hit by the strike is at a standstill.


Pay row strikers given deadline

By Drew Forrest

The entire workforce at the Rosbord wood factory in Boksburg has downed tools — the fourth strike to hit the East Rand in a fortnight.

The strike was sparked on Wednesday over pay demands, and the 270 workers, mostly members of Fosfus Paper, Wood and Allied Workers Union (PWAWU), have been warned by management that unless they are back today they face dismissal.

The company had agreed "in principle" to recognise the PWAWU said Rosbord general manager Mr Ron Lucke, but because the relationship with the union had not been formalised, it was dealing with an elected up-plant committee.

Mr Lucke said the R46 a week minimum wage paid by the company was "well above" the current wage determination for the plywood industry.

Workers received a 10 percent increase in January and were now demanding a similar rise in place of a R3.22 flat-rate increase in the weekly wage introduced on July 1.

Meanwhile, talks between management and the Metal and Allied Workers Union yesterday failed to resolve the strike by 2,000 metal workers at Hendler and Hendler.

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Professional Practice

The highest marks in the subject obtaining Surveysors Prize

Cape Chapter of Quantity Surveyors (continued)

The Committee of Western Province in any year of study Bell-John Prize
Returning strikers won't work overtime

Strikers gather outside Hendler and Hendler in Boksburg, where 1,800 workers have dumped tools to collect their pay.

By STEVEN FRIDMAN
Labour Reporter

AT ONE of the biggest worker meetings held on the East Rand in recent times, strikers at Hendler and Hendler, Boksburg, agreed to return to work on Monday, but to refuse to work overtime until the company met their wage demands.

Meanwhile, labour unrest continued to grip the East Rand yesterday and, in other developments, about 300 strikers at a Boksburg firm, Bistonboard, were fired and there were reports of unrest at the EMI factory near Alberton.

There have been five stoppages on the East Rand in the past two weeks.

At Hendler and Hendler, most of the 1,400 strikers who are demanding a wage increase over and above that granted in the metal industries' industrial council agreement returned to work yesterday, according to a company spokesman.

Yesterday, about 1,000 strikers attended a meeting in Benoni and accepted a recommendation from union shop stewards that they return to work on Monday.

But the meeting resolved not to work overtime until management granted an additional increase.

Later strikers returned to the factory to collect their pay. They were handed a company notice which said they were striking "illegally" and added.

"You have thereby dismissed yourselves from the company's employ."

But it said workers would be given their jobs back if they returned by 7:15 Monday.

At Bistonboard, where workers struck on Wednesday following a dispute over an increase in July, general manager Mr Ron Luske said the company had terminated the services of the 200-odd workers involved. "They dismissed themselves by striking," he added.

At EMI, management refused to comment on reports of a stoppage. But a source in the company said: "We had some trouble which has been cleared up."

(continued)
One strike ends in strife-hit industries

By Drew Forrest

Hundreds of singing, foot-stamping and slogan-chanting metal workers from strike-bound Hendler and Hendler in Boksburg voted at a meeting yesterday for a provisional return to work after the weekend.

But labour unrest is believed to have spread to the nearby Langeberg canning factory — the fourth Boksburg company to be hit by strike-action in a week.

Worker sources reported that about 900 day-shift workers at Langeberg walked out at lunchtime yesterday over a pay demand. Confirmation could not be obtained from management of the African Food and Canning Workers Union, which represents the workers and which is party to a conciliation board agreement with the Langeberg group.

RETURN

The Hendler and Hendler workers decided on a provisional return to work after a four-hour, emotion-charged meeting in Actonville with officials of Fosatul's Metal and Allied Workers Union (Mauw).

The debate — punctuated by cries of "Amandla" (power) and "Sisimunye" (Unity) — centered on whether to go back before or after next Tuesday's meeting between Mauw and company directors.

About 2,000 workers struck at the enamelware manufacturing company on Wednesday. Their original demand for a 50-cent-an-hour increase, in addition to the 14 cent minimum wage increase under the industry's industrial agreement, has since been reduced to 29 cents.

It was finally agreed to return to work on Monday, pending the outcome of negotiations.

SACKED

Meanwhile, at the Benson Wood factory also in Boksburg — about 270 workers who struck on Thursday for a 30 percent pay rise have been fired. The general manager, Mr. Ron Lucke, said they had ignored a return to work deadline and would be paid off next week.

A spokesman for the Fasatu-affiliated Paper, Wood and Allied Workers Union said the union had been consistently denied access to the plant despite having strong support there.
Lost on gold?
You should have bought wood!

WOOD would have been a better investment than gold — particularly if you'd bought into South African woods, such as stinkwood and yellowwood.

In 1971, when the average gold price was $40.50 an ounce, the average price of stinkwood at Government auction level was R26/m². Anyone may buy at these auctions, but usually only sawmillers and furniture manufacturers do.

Had you bought gold then and sold when the price reached $590 an ounce you would have shown a profit of $209, or a very healthy 183%, but had you kept your gold and been forced to sell at this year's current average price of $492.24 an ounce, your profit would have declined to $451.44 or 116%, which is still acceptable.

Had you decided to invest in gold in 1972 when the average price was R161.00 and sold at this year's average, your profit would have been R331.18 or 255%.

Things could have been worse, however. You could have decided to get into gold last year at the average price of $693 an ounce and been forced to sell at this year's average. That would have meant a loss of $120.6, or 17.7% down on your investment.

On the other hand, had you decided to get into stinkwood in 1971 and get out of it at last year's average auction price of R1 698/m³ your profit would have been R1 245/m² or 244% — but you would have needed to have your head read to get out at that level.

Had you delayed your investment into stinkwood until 1975 when the average auction price was R1 950/m³ and got out this year at retail level was available in all lengths in 1971 at average auction price was R1 659/m³ and got out this year at retail level R2 300/m³ has gone up by 393% or R1 029/m² for lengths longer than 4.2m and by R104/m³ or 249% for shorter lengths.

Had you, in 1975, decided to invest in a portfolio of expensive woods your imbula holding, worth R1 675/m³ would have been the most disappointing performer with a mere 10% gain.

However, you would have been 284% up on imbula (now R1 369/m³), 230% up on walnut (R1 725/m²) and 237% up on Burmese teak which is now selling for a rather healthy R1 350/m³. Even SA-pine at sawmill to merchant level, for the sawmill's siding, increased by 165%.

By ARNOLD DAVID

You would have still shown a 765% profit on your investment.

YELLOWWOOD, which could have been bought in 1972 for R1 434/m³ (there were no yellowwood auctions in 1971) climbed to an auction level of R2 021/m³ in 1978 and R710/m³ last year — and to R1 590 m³ at retail level this year.

Even SA-pine bracing which...
Davy McKee for
R800-m. project

By Stephen Orpen

Davy McKee, of Stockton-on-
Tees, a UK-based, Davy Corpo-
ration, engineering and con-
struction company, has been
appointed to provide the pro-
ject and construction manage-
ment services for the mam-
moth mill to be built for Sappi
at Ngodwana in the Eastern
Transvaal.

Davy McKee will also be re-
ponsible for co-ordinating all
the engineering of the plant.

The project involves an in-
vestment of some R800-million
before 1987, and is one of the
largest single undertakings by
private enterprise in South
Africa as well as being the
largest single paper industry
project currently underway in
the world.

Davy McKee will act in all
phases of the work from initial
site clearance to construction
and dry commissioning of the
complete complex including the
provision of all the auxiliary
services. The company’s re-
sponsibilities will include:

- Co-ordination of work by
  specialist contractors and
  suppliers
- Procurement of all plant
  and equipment including a pow-
er station in addition to all the
  process plant
- Site management
- Supervision of the dry
  commissioning of the plant
- Rail and road connections
- Mains water supply sys-
tem including the construction
  of a dam
- Construction of houses
- Administration office
  blocks

During the early stages of
the contract the Davy McKee
project management team will
be based in Johannesburg.

Later, it will move to the
construction site at Ngodwana.

The contract was won in the
face of stiff international
competition.

Output from the new mill
will raise Sappi’s overall ca-
pacity from 600,000 tons to
850,000 tons of pulp, paper
and tissue a year.

The expansion will take place
in three phases and the first
phase will see the commission-
ing of a machine to produce
100,000 tons of newsprint annu-
ally from mid-1983.

The second phase, the major
part of the development, will
add 200,000 tons per year to
Sappi’s capacity for producing
bleached pulp. Of this, 120,000 tons
will be converted to bleached pulp.
This will be completed in
1984.

The third and final phase will
be completed in 1986, and will
add 150,000 tons a year to cap-
pacity for kraft liner and
fluting.
Strikers go back after pay talks

By STEVEN FRIEDMAN and RIAAN DE VILLIERS

ABOUT 1,200 strikers who downed tools on Friday at the Langeberg Co-operative in strike-hit Boksburg returned to work yesterday.

Management had agreed in talks with their union to pay them a special interim pay rise, the plant’s branch manager, Mr Pietrus van Zyl, said yesterday.

But he said workers had returned before this was granted.

And management at the Boksburg company Bisonboard, which fired about 200 striking workers last week, yesterday agreed to re-employ all of them.

They started work yesterday afternoon.

A spokesman for the Federation of South African Trade Unions said management had reversed its decision to fire strikers after talks with Fosatu representatives. Many of the workers belong to Fosatu’s Paper, Wood and Allied Workers’ Union.

But Bisonboard’s general manager, Mr Ron Luce, denied that Fosatu’s intervention had prompted the management’s decision to re-employ workers. “They came back entirely on their terms,” he said.

Fosatu’s spokesman said the company had re-employed the workers on condition they accepted a R5.22 weekly increase.

The rejection of this had led to the strike in the beginning.

The company had agreed, he added, to discuss its 10.5% wage increase with the union and recognition negotiations between it and the company were expected to “move ahead rapidly”.

Mr Luce said he believed management’s decision to give workers an ultimatum to return or be fired had persuaded them to return.

He said he had been approached by Fosatu after workers were locked out yesterday and had agreed to re-employ them — provided the request to do so came from the workers’ committee which had been active in the plant before the strike and that they accepted the increase which had already been granted.

Mr Luce said the company had not agreed to negotiate the 10.5% increase with the union, but had agreed it could make representations to management on wages before it made its final recommendation to the company’s board.

Recognition talks with the union would continue “provided they accept some basic ground rules such as our right to manage”, he added.

At Langeberg Mr Van Zyl said management had agreed in principle to an interim rise in talks with the African Food and Canning Workers’ Union. He did not say what the increase would be as they had not been finalised.
Non-Economic Factors Concerning the Dairies and the Communal Gardens

While the communal gardens obviously can alleviate some hardships people suffer, it does not seem that either the garden or the dairy projects would ever be able to change the basic conditions of how a family lives.

It seems that neither of these two types of project can function efficiently in the present environment and that very seldom do they benefit the very poorest people in an area.

There are, however, some positive aspects to the projects. I am anticipating the subject matter of Part II in mentioning them here, but I would be giving an unbalanced view of the projects if I did not.

While the majority of people in the various villages have rejected the garden and dairy projects, I suggest for very logical reasons, some participants are very committed to them. Nineteen of fifty-two garden members volunteered one of the following three principles as reason why they had initially joined: development of the nation; the principle of self-help; and the principle of group work.

5.1 Participants’ Views about the Dairies

John Nkalitshane at Amathole said that his family had put a daughter through nursing training and Freddy Mthluli had put a son through agricultural college with money from the dairy. He said that the daughter and son are now "working for the people" and that "this is progress". He wants 800 people to join the dairy. (Either the education of these people was financed by other sources or the income from the dairy was much better long ago; other evidence suggests this.)

Five of the eleven people at Amathole are no longer using the dairy but they still consider themselves members and have plans for its improvement, etc.

At Inkomo, too, I found the degree of support and involvement in the dairy rather surprising. People who are neither keeping their cattle in the dairy camp, nor milking at the dairy, nor selling through the dairy, regularly go to meetings and participate extensively about fencing, capital improvements, etc.

I was utterly amazed to find that one of the three people who is most active in the dairy (he goes there nearly every day, makes long speeches at meetings and has many plans and ideas about the future) has no cows at the moment. (He did have three). He is very poor and I cannot see how he will be able to get more.
Paper-maker gets timber stake

Mondi links with HLH

By DAVID CARTE

HUNT Leuchars & 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 the two, Mondi will acquire 19% of HLH Timber on September 1 and another 30% over the next three years.

No price has been disclosed, but timber industry sources speculate that the initial 19% will have been priced at about R11-million, putting a price tag of roughly R54-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 R16-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 R500-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 Jessoreville sawmills, its only hardwood 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 Arac 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 wattle 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 sawmills and paper-makers and softwoods to the building industry.

Mr Perry said the deal would be effective for only six months of this current financial year, and would have little effect on HLH’s earnings this year.
Unions to get tough over sackings

BY STEVEN FRIEDMAN
Labour Reporter

OVER 100 worker representatives from 30 East Rand factories yesterday committed themselves at a meeting to a campaign against a Springs company, Stag Packings, which recently dismissed 90 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 90 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 Portt 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 "adviving 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 forming closer links with black community organisations.

The NUTW has attempted to mobilise a community campaign on behalf of the dismissed Stag workers.
The hardboard industry received a welcome boost with the commissioning at the beginning of the month of a new hardboard plant at Masonite (Africa's) Estcourt factory by the Minister of Finance Owen Horwood.

The giant, Swedish-manufactured Soderhamns board machine, refiners, and Motala press that rumbled into operation as the Minister pushed the start button were not new, despite the fanfare. They were originally ordered in 1966 for Timberit's Cane Islands Mill on the Natal north coast and were in production until the mill closed in 1977 at the bottom of the building recession. Masonite then decided to relocate the board production line at its Estcourt factory.

The 400 t of machinery was dismantled and hauled by road to Estcourt, where it lay rusting until August last year when a start was made on the new 4,600 m² factory.

The re-commissioning of the hardboard plant has been well timed. With the building industry still doing pretty well, demand for Masonite's hardboard products, insulation board, and mineral fibre board used increasingly for ceilings in highrise buildings is phenomenally strong. The plant which turned out saleable board for the first time last month, increases Masonite's hardboard production capacity by about 50%.

Says company chairman, Rambie Raubenheimer: "We are presently manufacturing 1.6m m² of hardboard a month and we expect to increase this to a further 1m m² with the installation of a new machine.

"We don't expect this to happen overnight, though. We hope to grow into that figure over the next 18 months to two years."

Sales of board products are buoyant at present, but there are a few problems ahead. The economy is cooling off and the construction industry a major user might eventually follow the general decline. But Raubenheimer is not losing any sleep about it. "We stay manufacturers, after all, have had to live with wild swings in the building cycle for decades."
Natven's profit up by 45.6%.

National Veneer increased pre-tax profit by 45.6 percent to K501,000 in the six months to June but deferred taxation resulted in group income after taxation rising by 26 percent from K550,000 to K642,000.

The interum dividend has been raised from 1.8c to 2c. Earnings a share were up from 7.1c to 7.3c.

Natven, producer, distributor and exporter of veneers, plywood and other allied timber products, has bought R3 million worth of plant and machinery for Alrod and KwaZulu factories.

Most of the plant will be in operation by the end of the year and the rest during the first half of next year.

The capital cost is being financed by way of long-term loans at "satisfactory interest."

Exports have been well maintained in spite of the recession being experienced in Natven's traditional foreign-trading markets.

Normal taxation has not been provided for because of the accumulated assessed losses from previous years and certain tax allowances which companies in the group enjoy.

If last year's final dividend of 2c is maintained the shares will be on a prospective yield of 77 percent at the current share price of 68c.

The shares have ranged during the past 12 months from a high of 92c to a low of 50c.

Mervyn Harris
Timber takeover

ROBERT Murray (Pty), an established company in mining-timber, has bought the Taylor & Mitchell group.

The acquisition is an extension of the Robert Murray's timber and sawmilling interests which are based at Carolina and Welkom, says National Acceptances, merchant bankers to the deal.

Taylor & Mitchell has served the Witwatersrand market for several decades and has operations at Tzaneen and White River.
Timber — a vital growing industry

The timber industry is divided into three parts:

1. Firstly, there are the Government forests which fall under the control of the Directorate of Forestry. These forests cover over 300,000 hectares.
2. The private sector is subdivided into two parts: The Forest Owners' Association, which is made up of the leading commercial and milling interests, and Companies like Sappi and Hunt Leachars and Heaphy are two examples. They have plantations which cover over 450,000 hectares.
3. The second part of the private sector comes under the guidance of the South African Timber Growers' Association, which has 2,000 members throughout the Republic. Some of these are large and some are small, but the total ground under forests belonging to this group is 420,000 hectares.

Pines — plantations of pine trees cover some 600,000 hectares and take at least 10 to 12 years to develop. To reach full maturity, they should stand for 30 to 35 years.

Similar pine forests in North America, and Europe, on the other hand, require 50 to 90 years to reach a similar maturity. Therefore, South Africa is in a very favorable position when it comes to the export of timber.

Gums — mainly saligna, need only seven to eight years to reach maturity. The gum is used for trusses and in doors and the like. Pines are also used for pulp manufacture.

Poppars — some poplars are grown mainly for the paper manufacture, but the area under poplars is relatively small.

Wattle — these trees are mainly grown for the bark which is used for adhesives and tanning. The wood itself is hard and is used for long-term export.

Sappi is enlarging its existing mills in the Eastern Transvaal to the Mondi, at Richards Bay, are about to build a mill which will cost them R50 million.

Mondi have thought about the development of plantations in Kwazulu; but as this is mainly tribal land, there may be difficulties in accomplishing their plans.

Considers that the value of existing saw mills is R16 million and paper mills R32 million, it is not clear what vast expansions are planned and that these mills are going to need a great deal of timber to meet their requirements.

The timber industry is very intensive in capital, but it is also quite unique in that it depends on hand labor and is done by the most modern mechanisation. There can be plantations owned by the same company or individuals where one plantation is entirely manually organized whereas next door there can be some of the very latest mechanised machinery in operation.

Mechanisation is on the increase, and as a result, the hours of labor can cost a company a great deal of money.

To meet the new requirements of training schools are on the increase.

In Natal, Bayhead Timmer Industry Manpower Services (TIMS) have opened their second school. The other one is in the Eastern Transvaal.
unions says industry head
The safest sawmill in S Africa

Own Correspondent

PAARL — The State sawmill at Wemmershoek, between Paarl and Franschhoek, which has been in existence for the past half-century, has been declared the safest sawmill in South Africa in 1980.

A nationwide competition, organized by the National Occupational Safety Organisation in conjunction with the SA Sawmills Association, is held every year to determine the safest sawmill in operation in the Republic.

The trophy for the Wemmershoek achievement was handed over to the superintendent of the Wemmershoek Sawmills by the Administrator of the Cape, Mr. Gene Louw.

The mill has won the trophy for the second year in succession.

The sawmill has had 835,000 work-hours and suffered no loss of time as a result of injuries at work. Their next aim, according to a spokesman, is to get one million work-hours without loss of time.

The superintendent of the mill is appropriately named Mr. I. Wood.
Strikers seek rise in pay

WITBANK — Workers at the South African Federated Timbers here have downed tools in demand for higher wages.

This is the second strike in two weeks in the area. Last week workers at the Highveld Bus Company refused to work until a certain black supervisor was removed from the company because of his treatment of his co-workers.

The workers, although dissatisfied, accepted a management proposal that the supervisor be stripped of some of his powers.

The strike at Federated Timbers started Monday when workers demanded a 20 per cent pay rise.

The manager of Federated Timbers was not available for comment yesterday — DDC
Domestic demand for timber increasing

By SHIRLEY PRESSLY

THE export drive which Kareedouw Creosote Works embarked upon five years ago is to be reduced as local demand increases.

The company won this year's Evening Post Export Award for sustained growth in exports.

According to Murray and Roberts director, Brian Bolton, the company's future policy will be to supply 50% to the local market and the rest abroad.

"Due to a sudden downturn in demand by local users, we were forced into the export market but now, suddenly, local demand has increased again," he said.

Escom has sent out a telex enquiry, urgently requiring pine poles for transmission lines.

A tender for the next four years has been released which requires an excess of 160 000 poles per annum, with a volume of 47 000m³ per annum of timber.

"Unfortunately, 78% of Escom's requirements are in two sizes which are in short supply," said Mr Bolton.

"Pine trees cannot be manufactured and the largest 2in size has a growth cycle of 45 years as dictated by nature," he said.

Mr Bolton predicts that there will be a worldwide shortage of transmission poles, particularly in the developing countries such as Africa and the Middle East.

"Already there is a shortage and we predict that it will escalate," he said.

The very serious raw material constraint in the South Western Cape was a result of the policy adopted by the Department of Forestry in this area — another supplier, 1AT H Holley, managing director of Holley Brothers (Pty) Ltd, Natal, said at a symposium on forest product developments.

Mr Holley urged the department to allocate greater percentages of its forests to pole rotations which would give the industry the potential to treble and quadruple its export earnings.

"A tree allocated for use as a pole produces a higher income for the department than the same tree used for sawn purposes. The very high quality of the South Western Cape poles in relation to other timber makes them welcome anywhere in the world — despite political prejudices," he said.

Mr Bolton believes that the future market will be good, with more orders than the company has ever had before — but demand will outstrip supply and prices will escalate.

"We want to increase our supply to the local market because our risks are minimised," he said. "When you are dealing with foreign governments, the unpredictability of waste can happen. For example, in 1978, we were awarded a $2 million contract with Iran, two months prior to the revolution. Then the problems began.

"However, we chartered a ship and filled it with 7,000 cubic metres of poles and we were the first vessel to enter the Iranian waters after the revolution. This, in fact, opened up the shipping market to that part of the world. The company suffered badly from a nine month shipping delay prior to delivery to Iran.

"Our huge stocks of poles destined for Iran could not be sold locally because they were machine peeled," said Mr Bolton.

"Poles are debarked only because the greater strength is in the outer layers, but the SABS specification is going to shortly provide acceptance of the machine peeled poles — which will make strength requirements more specific and easier to comply with," he said.

"The company is increasing its factory's plant by installing debarking machines, the first time debarking has become mechanised.

"One of the factors motivating this equipment purchase of this equipment is the lack of control in the forests, which occurred when debarking was done by hand.

This year so far the rainfall has been 300mm which is more than the total amount in the last five years.

Other countries that Kareedouw Creosote has dealt with include Greece, France, Spain, Germany — and even the Yemen.

The company has built up a large amount of expertise in export and, Mr Bolton believes that this could be used by other group companies to their advantage.

Mr Bolton does not foresee any diversification of the company's activities.

"We restrict ourselves to wooden transmission poles for reticulation and we do have an off-cut market," he said. "For example, we supply anchor logs, guard rail posts and even smaller sized poles as a paving block for paths. Most waste is burned.

"Although there is a potential sales market for this waste if volumes are sufficient," he said. "For example, there could be a demand for wood chips to be exported to the Far East, Japan, and Taiwan.

A new factory manager has recently been appointed in Kareedouw, Karl Hancke, who is a trained forester and who, as a result, has a real feel for the growing and harvesting of timber.
Timber workers lose their jobs

EAST LONDON — The entire black workforce at the Hodgetts Timbers firm here — 98 workers — lost their jobs yesterday following a dispute at the factory.

Mr L van Zyl, the managing director of the firm, said the workers had declined to commence work when called upon to do so. He said they had "dismayed themselves and left the premises en bloc.

Mr Van Zyl said the reason for the walk out stemmed from a disagreement regarding a wage increase on October 29. "Incorporated in this wage increase was an attendance bonus based on attendance and punctuality," he said.

The staff, informed yesterday, were informed management through the liaison committee that the attendance bonus was not acceptable as an extra and should be incorporated in the basic weekly wage. This request was refused by management.

"The reason for management's adoption of the attendance bonus was as a result of increasing absenteeism and late coming which affected productivity," he said.

"The company will be open for business as usual, and recruitment of new staff will commence tomorrow morning," he said.

The Dispatch was unable to contact workers' representatives for comment yesterday.

— DDR
EL black workers stay away

Argus Bureau
EAST LONDON.—The entire black work force at Hodgents Timbers here, who lost their jobs after striking, had not returned to work today, the managing director, Mr L. van Zyl, said.

The 93 workers lost their jobs yesterday after refusing to go back to work after a dispute with management over bonus.

Yesterday Mr van Zyl said new labour would be recruited today. He refused to disclose whether new labour was being hired.

A spokesman for the South African Allied Workers’ Union, which represents some of the workers, said none of the workers had approached the union yet. The strike was being investigated.

Mr van Zyl said workers had walked out after a dispute about a wage increase implemented on October 20.
EAST LONDON — The 850 striking workers at Western Bexa PLEASE ASK AGAINST TO return to work today unless all the workers were reinstated.

Mr B Handy, a director, said the factory was still at a standstill because the workers had not returned to their jobs.

The workers downed tools last week in protest against a management decision that only those workers who had been most productive would be paid bonuses.

BONUSES

Following a management announcement that bonuses would be negotiated together with a new wage agreement in January, the workers have now stopped the demand that all be paid bonuses before they will end the strike.

They are still demanding, however, that all the strikers be reinstated.

Management had refused to concede to this demand. They have agreed to take back most of the strikers but there are some exceptions.

Miss D Komova, secretary of the African Food and Canning Workers Union, which represents the workers, said Mr Handy had told the workers that those responsible for violence and intimidation would not be rehired.

"The workers won't accept that not all will be rehired and management refuses to accept this demand," she said.

MEETING

The strikers were meeting today to discuss further action.

About 200 workers at the South African Pulp and Paper Industries (SAPPI) mill at Stanger on the Natal north coast downed tools today.

A spokesman said the cause of the stoppage, the second in two months, was not known but it is believed that the dispute could have been over union recognition by the firm.

"Management was still awaiting representation on worker grievances but it was pointed out that negotiations over their demands will only get underway once the striking workers return to work," the spokesman said.

The plant, which is one of the key producers of pulp and paper supplies to the industry, was hit by labour disputes over the controversial pensions issue in September when the production was halted through this work stoppage.

He added, however, that the company was holding discussions with representatives of the Postunion-affiliated Paper, Wood and Allied Workers' Union over recognition.

"The last meeting was held on October 14 and negotiations are continuing," he said.

Officials of the union were not available as they were at the plant seeking representation.
Increased manufacturing efficiencies, higher domestic sales with an improved product and market mix and improved earnings from the plantation, operations contributed to the strong result.

A feature of Masonite's record has been its unusually strong gains in return on capital employed. Since 1978 the return has moved from 8.6% to an exceptionally high 45.4%. And at the same time, the strength of group cash flow has been such that the balance sheet has been left virtually ungeared. That is a strong bull point for the company, with cash flow now projected to increase by at least the inflation rate while competitors with borrowings will find margins being squeezed by rising interest rates.

In addition, Masonite managed to repay its few outstanding loans over the past year, despite the capital cost of a new manufacturing plant at Estcourt. One result of this has been a cut in dividend cover from 3.2 times to 2.1 times and a payout to shareholders of 42c (14c) in the 14-month period.

Masonite's currently strong position in the market is highlighted by the fact that, over the past year, demand often exceeded hardboard production capacity. To alleviate the position, board was imported. But with the new unit now in operation, the position should have been reversed. The current year may be expected to start off fairly slowly, the directors believe, as a certain amount of destocking may be expected to take place as distributors correct their inventories after last year's tightness.

Overall, it seems as if Masonite has been able to use the strength of the market to expand capacity, decrease borrowings and boost sales at the same time as maintaining a presence in important export markets. The results speak for themselves and though the directors expect a slowdown in market conditions, a steady earnings pattern should be in evidence this year. At this yield, the share offers good income prospects, though it appears fairly priced in terms of its asset backing.

Scott Hawker

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**MASONITE**

**Good position**

Activities: Manufacturing hardboard insulation board, shad and mineral fibre ceiling panels and decorative wall paneling, Masonite Corp. of the US holds 67% of the equity.

Chairman and Managing Director: F. Raubenhauer.

Capital structure: 8.5m ordinaries of 50c each. Market capitalisation R17.9m.

Financial: 14 months to August 31 1981.

Net cash R5.4m. Current ratio 1.9. Net cash flow R2.5m. Capital commitments R38.7m.

Share market: Price 275c (1980-81 high 540c, low 110c), trading volume last quarter 42 400 shares. Yields 21.1% on earnings, 13.1% on dividend. Cover 2.1 PE ratio 2.7.

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<th>Turnover (Rm)</th>
<th>Pre-tax profit (Rm)</th>
<th>Gross margin (%)</th>
<th>Earnings (c)</th>
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* 14 month period; † Annualised.
MANUFACTURING — WOOD & CORK

1981 — 1986 — SEPT
### Notice 969 of 1981

#### Department of Industry

**Notice**

The Minister of Industry, Commerce and Supply, in terms of section 8 of the Competition Act, 1994 (Act No. 90 of 1994), is hereby interested parties are invited to submit comments on the draft regulations and to make representations on the draft regulations. Any objections to or comments on the draft regulations must be submitted to the Department of Industry no later than 30 days from the date of publication of the draft regulations.

**Date of publication**

December 23, 1981

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### Notice 279 of 1981

#### Customs and Excise Tariff Act, 1977

The following applications have been made by the industries. Any objections to or comments on these applications must be submitted to the Department of Industry no later than 30 days from the date of the notice.

1. (a) Tube and pipe fittings, of black, classifiable under tariff subheading 73.20.49.00, of 15 percent ad valorem plus 19.040c per kilogram and 15 percent ad valorem plus 825c per 1,000 kg (m.b.n.), and 10 percent ad valorem plus 70.000c per 1,000 kg, respectively.

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#### Kennisgewing No 499 Van 1981

**Department van Vryheid en Genootskapontwikkeling**

**Ondersoek na Ekonomiese Koncentrasie**

The Minister of Freedom and Community Development, in terms of section 7 of the Competition Act No. 90 of 1994, is hereby interested parties are invited to submit comments on the draft regulations and to make representations on the draft regulations. Any objections to or comments on the draft regulations must be submitted to the Department of Freedom and Community Development no later than 30 days from the date of publication of the draft regulations.

**Date of publication**

December 23, 1981

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#### Kennisgewing No 709 Van 1981

**Doemene- en Aksiewetlike Aangifte**

**Lyn 4381**

**Onderhoude aansoeke betreffende die Doemene- en Aksiewetlike is dus die Raad van Handel en Nywerheid ontvaa. Enige beswaar oor die munte, munte en hierdie verlies moet binne ses weke na die datum van hierdie kennisgewing aan die Raad van Handel en Nywerheid, Pretoria, 2042, Pretoria, 0001, gemaak word.**

**Verhoying van die reg op**

1. (a) Toeberek by binne en pype van verskillende metalle, onder dieselfde wetgewings, van 15 percent ad valorem plus 19.040c per kilogram and 15 percent ad valorem plus 825c per 1,000 kg (m.b.n.), and 10 percent ad valorem plus 70.000c per 1,000 kg, respectively.
LION MATCH
New direction?

Actives: Manufactures and distributes
matches and razor blades. Assembles
sunglasses and has interests in packag-
ing. The distribution division handles
scissors, disposable lighters, garden
tools and kitchen knives Wilkinson
Sword Group (UK) owns 64.1% of the
equity.

Chairman: H A Williams, managing di-
rector R W Harker

Capital structure: £8.8m ordinaries of R1
Market capitalisation £52.8m
Financial Year to September 30 1981
Borrowings £2m Net cash £5.6m Debt
equity ratio 1.9 Current ratio 1.9
Group cash flow £8.3m Capital com-
mitments £57.8m

Share market: Price 600c (1980-81 high,
100c, low, 55c, trading volume last
quarter, 2,700,000 shares) Yields 13.3% on
earnings, 6.5% on dividend Cover 2.1
PE ratio 7.5

Return on cap (%) 20.9 20.9 26.0 31.8
Turnover (Rm) 35.7 39.4 74.2 63.3
Pre-tax profit (Rm) 5.3 6.0 13.4 11.2
Gross margin (%) 15.6 15.4 18.1 17.9
Earnings (c) 24.8 29.2 87.2 80.0
Dividends (c) 17.5 12.0 18.0 18.0
Net asset value (c) 270 300 330 357
† 18 months to September 30 1980
†† Excludes 5c bonus

White chairman Alan Williams sees the 1982
financial year mainly as being one of con-
solidation; the medium-term growth out-
look for the Lion Match group looks quite
promising. This stems from the recent pur-
chase by ultimate parent, Allegheny Inter-
national, of the Sunbeam Corporation — the
world's largest manufacturer of small elec-
trical appliances, according to Williams.

If this means that some form of market-
ing tie-up between Lion and Sunbeam in SA
is on the cards, this could be the major
diversification the group needs to realise
fully its investment capability.

A feature of the past few years has been
the strong build-up of cash resources which,
in 1980, totalled R8.5m. While these were
reduced to R5.6m last year by unusually
heavy expenditure on fixed assets, the bal-
ance sheet is now completely ungeared. And
with an equity base of over R31m, the group
could therefore comfortably afford to bor-
row up to R15m, giving it a total investment
potential in excess of R20m.

Provided the present fairly strong 32% gross
return on capital employed is maint-
ained on the expanded base, such a move
would be likely to have a materially benefi-
cial effect on the net return on equity. At
the moment, this is a barely-adequate 22.4%,
mainly reflecting the lack of gearing.

The small appliance field has an added
attraction for Lion in that it would maintain
the pattern of increasing involvement in
consumer-orientated products while simul-
taneously reducing the group's dependence
on its traditional activity, matches.

In the year to September 30 there was a
further drop in the proportion of operating
profit attributable to match manufacturing
(before taking into account interest re-
ceived and income from non-consolidated
foreign subsidiaries) to 55.3% (60.9%).

This was mainly the result of continued
strong growth in the packaging division
which boosted its contribution to 42.3% (37.5%).
The remaining 2.2% represented
the personal products sector which, propor-
tionately, showed the best profit growth
over the year (87%) but is still very small in
the context of the overall group.

For the current year, Williams expects
earnings growth to be slower than last
year's 37% (based on annualised results for
1980), but he adds that the improvement
should nevertheless keep the group ahead of
the inflation rate. Given that consumer
spending is set to slow, the probability is
that the reduced growth will be more clearly
evident in the non-match divisions. Profit
from matches should, logically, be less sen-
sitive to changes in consumer demand and
this division should, additionally, start to
benefit from last year's acquisition of match
manufacturer Chet

On balance it seems likely that earnings
this year could reach 96c (up 20%), of which
48c would probably be distributed. The pros-
spective dividend yield on this basis would
thus be 6.5% — roughly one percentage
point better than the industrial market pros-
spective yield.

On short-term prospects the shares look
reasonably priced. But taking a slightly
longer view, and assuming a deal with Sun-
beam comes off, the share may well move
substantially higher.

Brian Thompson
Mercury Reporter

The entire workforce from Mondi timber mill at Port Dundurn near Empangeni was dismissed yesterday after a dispute with management over pension refunds.

A spokesman for the Paper, Wood and Allied Workers' Union, a Fosatu affiliate, said yesterday that the 131 workers had been given to understand that they would be paid out their pension contributions this month.

"But management deny this and have said that they had only agreed to arrange for an official of the Anglo pension policy to explain the fund to them," the spokesman said.

Following a meeting on Thursday with an official of the pension fund, the workers had sent their shop stewards to management to demand repayment of their pension money.

Down tools

Management told workers they would have to resign in order to get back their pension contributions. Workers refused to resign and decided to down tools.

Mr John Dicks, the personnel manager of Mondi, said yesterday that the striking workers "have opted to have their pension refunds."

Although workers who did not return to work yesterday would now be considered to have "terminated their services," Mr Dicks said they would be able to apply for re-employment on Monday "as long as they accept the conditions of employment."

But, Mr Dicks said, the conditions of employment included membership of the pension fund.

Late yesterday the union spokesman denied that workers had agreed to accept their pension refunds under the conditions offered by management.

Unresolved

She said workers had refused to accept their wage packets as they did not consider them selves dismissed.

They consider the dispute unresolved and will be returning to the factory on Monday morning," the spokesman said.

At Enduduzweni in Umlazi, about 50 blind workers refused to work yesterday following a dispute with management over wage deductions.

Workers, who make cane baskets, cane furniture and weave work, told the Mercury that in spite of low wages management insisted on increasing the weekly deductions for food and board when they returned to work this week.

One worker said he was receiving a wage of R17 a week and from this he still had to pay R3 for board and lodging.

He said some of the workers had to work R5 deducted from their weekly wages.

Necessary

The workers said that, at a meeting with management before they went on leave, they had been told that more money would be deducted from their wages to pay for food.

Management said the increase was necessary because of a shortage of funds. This was rejected by the workers.

"But when we received our pay packet this week we found that management had given ahead with the increased deductions," a worker said.

The director of the Enduduzweni, Mr J Randles, said they had lost more than R50 000 last year. The increased deductions were necessary to offset this loss.

He said a welfare organisation already subsidised the workers about R12 for full accommodation which includes food and clothing.

Agitators

"We raised the deductions for accommodation from R1.50 to R2.50 which was implemented on February 1," he said.

Mr Randles said he believed that most of the striking workers who all lived in the hostel were influenced by union agitators.

Also, about 200 workers downed tools at T & C Organics at Mandini after management dismissed two of their shop stewards.

The personnel manager from the head office in Johannesburg, Mr D Boyes, said too many workers were involved in the work stoppage and was unsure as to what were the workers' grievances.

He said he would be flying to Mandini on Monday to talk to officials of the African Workers' Association and hoped that the dispute would be resolved shortly.
Trade union men have expressed surprise at Mondi Timber’s claim that strikers had been dismissed because none of the workers have yet been paid off.

The management of Mondi Timber at Port Durnford said on Friday that the entire workforce of 131 had been dismissed after a dispute over the pension fund. One of the organizers of the Paper Wood and Allied Workers Union, Miss Pat Horn, said yesterday management’s attitude to the workers’ demands was unreasonable.

"All that the workers are demanding is that the company review its policy of compulsory membership of the pension scheme. Mondi workers are emphatically opposed to belonging to the pension scheme and they are demanding that they be consulted on this before final policy decisions are made," Miss Horn said.

She said management had made it clear that they were not prepared to negotiate with them although 120 out of the 131 workers at the plant were union members.
Saw mill workers back after week-long stoppage

By LIP Mercury Reporter

The entire workforce at the Mount Saw Mill Port Bourlard, returned to work yesterday after a stoppage which has lasted for more than a week, according to a spokesman for the Montreal affiliated Paper, Wood and Allied Workers' Union.

The 11 workers demanded tools on February 1 in an effort to have their pension fund contributions refunded. According to Mount's Anglo American pension scheme, however, it is a condition of employment that all workers belong to the fund.

The spokesman said that all workers returned yesterday morning.

'Management said they were investigating the pension scheme, and would report back to workers as developments took place,' he said.

According to the union, production at the factory had stopped from February 4.
When a farmer is a factory owner

A timber farmer installs a sawmill on his farm in order to manufacture fruit boxes and trays for sale. Act 22 of 1941 requires someone operating a factory to obtain a certificate of registration for it. In terms of the Act, however, premises on which a farmer performs any activity solely in connection with products he produces on the farm, or solely in connection with his farming operation are not regarded as a factory.

A machinery inspector contends that the milling operation is not being performed solely in connection with the farmer's operation. The mill is therefore a factory in terms of the Act. He says and has to be registered as such.

On the other hand, that since he is a farmer whose activities include the sawing and processing of timber for sale in the form of boxed wood, the activities carried out in the mill are solely in connection with his farming operation. For this reason, he says, the mill is not a factory in terms of the Act.

In court, a magistrate rules in favour of the farmer, and fines the farmer for failing to obtain the certificate, and fines him for failing to register the mill.

Do you agree? You be the judge.

VERDICT

Two Supreme Court judges hold the magistrate was right. They say, "The object of the law is to exempt a farmer from the provisions of the Act, where he performs work solely in connection with his own products, produced on a farm occupied by him.

Once such work is performed in connection with products not produced by him, the exemption no longer applies.

As an example, one may take the instance of a farmer who maintains a workshop and employs mechanics to repair and service his own farming implements and machinery if he then undertakes repairs of his neighbour's machinery in his workshop, it will no longer be work performed solely in connection with his own farming operations."

Another example would be the fruit farmer who erects a saw mill for the manufacture of his own boxed wood, from timber not produced on his own farm, for the packing of his own fruit. This would clearly still be work performed solely in connection with his own fruit farming operations. But, where, as in this case, the sawmill is used for the manufacture of fruit boxes for sale, it cannot in my view be said that this activity is in connection with his farming operation."

We have a new plan for the site of this property which would like to inform you that we have completed our design for the two storey parking garages.

Proposed design of parking garages on plot 73/8000

Dear Mr. Thompson

Cape Town
31 Long St
Thompson Property Developments

Proposed 7000 garage

Mr. D. Thompson

Hyde Park Construction

31 Long St
Cape Town
P.O. Box 11224

7000 Garage

7000

7000

7000
200 lost jobs in strike

Labour Correspondent

MORE than 200 workers at SA Woodbox Manufacturers in Germiston have been sacked, after striking over a union recognition dispute. But the workers are refusing to re-apply for their jobs, a union spokesman said.

Sources said a second factory, a waste disposal plant, had also been hit by a strike. At SA Woodbox, a spokesman for the company’s Paper, Wood and Allied Workers Union said workers downed tools late on Tuesday after a misunderstanding.

Yesterday workers were told they could re-apply for their jobs.

"But management say they are going to retrench because of the economic climate and that 40 workers — including all the women — will lose their jobs."

He said PWAWU suggested workers return and that the union then negotiate with management on retraining "but they say they are not negotiable."

A management spokesman said the union had "lost control of their members and are now trying to save face."

He denied the company said it would retrench or that a specific number was mentioned. "We merely said we will rehire selectively."

The strike was "illegal" and workers had ignored an ultimatum to return or be fired, he said.

The company would begin recruiting today, he said.
200 strike at Rand Wood firm

Labour Report

A Roodekop, Germiston, wood firm was hit by a strike yesterday by about 200 workers.

Many of the workers are members of the Post-Affiliated Paper, Printers and Allied Workers' Union, which was involved in talks with management over the dispute.

A union spokesman said SA Woodbox had previously discussed the issue of union recognition and workers were now resisting plans by the firm to retrench 49 workers, mostly women.

An SA Woodbox spokesman said talks were going on with the union and the strike was due to a misunderstanding.
Strike at Germiston firm is over

Labour Correspondent

A STRIKE by about 200 workers at a Germiston firm, SA Woodbox Manufacturers, had been "settled" and "production is now back to normal", a company spokesman said yesterday.

Workers downed tools on Tuesday but were told they had been fired and could re-apply for their jobs. Management said they would be re-employed selectively.

However, a spokesman for Fosat's Paper, Wood and Allied Workers Union said on Wednesday that workers were refusing to return until they were all reinstated.

Yesterday a company spokesman said that the company had re-employed "all but a few of the workers" it had not changed its stand on selective re-employment, but despite that workers returned "amicably", he said.

"They returned very peacefully and everything is back to normal," the spokesman said. He said the company had held talks with the union "but we did not budge on their demands."

PWAWU spokesmen could not be contacted yesterday.
PINETOWN timber factory, T D M, has fired eight shop stewards from the Fosatu-affiliated Paper Wood and Allied Workers' Union following a brief stoppage earlier this week, union sources said yesterday.

A union spokesman said the problems at the factory had begun last week when shop steward, Mr. Emmanuel Dlamini, had been fired by the firm.

The entire workforce of 212 workers had downed tools last Tuesday but had returned to work when the company agreed to talk about the issue with the union on Friday, he said.

On Friday the management had said they would not take Mr. Dlamini back as 'the workers would laugh at them' but, the spokesman said, it had been agreed to meet again yesterday to have further discussions.

At a meeting on Monday, workers had decided they were not happy with the company's decision and had refused to start work after lunch, he added.

According to the union, the management had then told one shop steward he was fired because he was 'a troublemaker' and had then told rest of the shop stewards present to leave the factory premises. Workers had then returned to work.

The managing director, Mr. D H Scharf, said the matter had been solved last week and that he had no further comment to make.

The union yesterday was seeking legal advice on the dismissal of the shop stewards.
Timber price rise expected

Mail Correspondent

AN INCREASE in the price of timber is expected to be announced today by the national chairman of the South African Lumber Makers Association, Mr Wynne Evans.

On Monday Mr Evans said the possibility was being discussed at the association's annual congress this week.
Timber growers are unhappy with the outcome of the latest price negotiations with major buyers. On average, they say, new prices do not match inflation and will not encourage the new afforestation needed to meet future demands. But recession abroad and a short-term oversupply of timber on the local market have allowed buyers to adopt a harder line at the negotiating table.

Price talks started late last year, with growers represented by the Federation of Timber Growers Associations (FTGA), made up of the South African Timber Growers Association (Satga), the South African Wattle Growers Union (Sawgu) and the Forest Owners Association (FOA).

They claimed their costs had risen on average by 18.8% during the year, and wanted to recover 90% of costs, plus an additional amount to bring return on capital to 6% within three years.

When buyers balked, growers reduced their demands. A provisional agreement was reached in January with the proviso that prices would be reviewed again in July.

While none of the federation members was satisfied with the offers, FOA felt that they should be reluctantly accepted. Satga, and Sawgu, on the other hand, argued that there should be further negotiations. The latest talks between buyers and Satga and Sawgu have culminated in further price increases, some of which were effective from July.

In addition to the January increases, growers were granted a 75c/t increase on mining timber. Additional cost to the pulp and paper industry will vary — 55c/t (Sappi), 75c/t (Mondi) and R1,28/t (Saucor).

Growers are far from happy about the tendency for buyers to offer one figure in-
tended to cover increased costs as well as increased rail tariffs. They charge that ruling timber prices are too low to enable them to pick up rail tariff increases. They point out that timber processors are normally able to pass on their increased rail costs to consumers.

During the latest round of negotiations, however, buyers were more sympathetic towards this view. Satga director Bruce Ferguson says he hopes for a reversion to the previous arrangement whereby rail tariff increases were automatically for the buyer’s account.
Dracoonian Forestry Bill

Defending Silence Over a

BY DAVID PANCUS

Steel Giant loses is Rolling out its message
Credibility problems
Agency highlights
Market research: An

THE CAPS ACT

INVESTING IN BUSINESS

SUNDAY EXPRESS OCTOBER 24 1982

Lyn May
Bill would give Minister sweeping powers

Timber to get the chop

A DRAFT Bill that contains sim-
pler provisions which cut right
across the Prime Minister's belief
that the free enterprise system is
gaining an increasing hold on the
South African economy, came peril-
ously close to becoming law.

It's the Draft Forest Bill, gazetted on
September 21 which originally gave ob-
servers until last Wednesday to voice
their comments.

In its present form its aim is, among
others, to create a board of control with
enforcement powers to control the entire
timber industry, from the moment a tree
is planted until the wood is sold to a user.

But only a few in that industry knew
about it — and were able at the last-mi-
nute to postpone deadline for comment
until the end of November.

The only two Tribune Finance could
find this week who had studied the pro-
gress of legislation were David Elsop, Exec-
tive Director of Salima, and Bruce
McKenzie, Executive Director of the For-
test Owners Association, but neither was
prepared to comment.

Elsop said he was already negoti-
ating with the Department of Environmen-
tal Affairs and didn't want to discuss the
matter through an newspaper's col-
umnist - things were very delicate at pres-
ets.

Without saying so, the Bill provides for
the establishment of a control board for
the timber industry. It establishes ma-
machinery that can fix prices and establish
quotas, say who may buy from whom and
in what quantities and at what prices,
and when, and police those measures to
ensure they are adhered to.

It changes the make-up of the Forestry
Council in such a way that it can be com-
pounded of only growers and representa-
tives of co-operative societies. It cancels
the right of the Timber Trade Federation
to sit on the council, also the seat of the
Department of Industries, and specific-
ally bars anyone who is a board member of
any company that processes wood from
sitting on the council.

The council is charged with advising
the Minister on any aspect affecting the
forestry or timber industry, including
legislation.

The significance of that clause is that
timber growers only would be able to de-
deal with what is gold and what is bad for the
industry.

If passed by Parliament, it will widen
the scope of the Act to give the Minister
and the council complete control over
roughly sawn or planed or further pro-
cessed wood, chemically impregnated
wood or poles, slabs, chippings, sawdust
and charcoal, as well as anything else
that can conceivably be found in a forest
or timber plantation; including, ivory,
honey, sand, soil and gravel.

1. No books, notes, pieces of paper or other material
may be brought into the examination room unless
candidates are so instructed.
2. Candidates are not to communicate with either
candidate or with any person except the invigilator.
3. No part of an answer book is to be torn out.
4. All answer books must be handed to the commis-
sioner or an invigilator before leaving the exami-
nation.

Any dishonesty will render the candidate liable to disqualifi-
cation and to possible exclusion from
the University.
Workers to be laid off this week

Labour Reporter

A Plywood manufacturing firm, Unply, is to retrench more than 100 workers at its Cato Ridge factory at the end of the week, it was revealed yesterday.

The factory, which was the focus of a strike earlier this year, negotiated the retrenchments with the Paper, Wood and Allied Workers' Union.

The union is presently involved in recognition talks with Unply.

A union spokesman said the company had agreed to retrench the 100 workers on a last-in-first-out basis.

Those retrenched would be given four weeks' pay and a week's wage for every year of service plus Christmas bonus and leave pay, he said.

Fifteen workers had volunteered for retrenchment the spokesman said.

The company had guaranteed re-employment of the workers laid-off.
The famous pride of Lions meets its match

By Colleen Ryan

That smiling lion on your box of matches has a look at pride which seems to say: "I'm still the cheapest thing around."

But the self-satisfied feline may have met his match in the form of a foreign rival which challenges this famous claim.

South American matches are now selling on the Witwatersrand for two thirds the price of the local brand.

The Star matches made in Chile cost 2c a box compared with 3c for Lion matches. Each contains about 40 matches.

"As a spokesman for the importers, LK Distributors in Cape Town, said: a cheap consignment of matches arrived in South Africa about eight months ago.

The managing director of the Lion Match Company, Mr Bob Harker, said rising production costs had made it necessary to increase the price of local matches.

The Durban-based company has a monopoly on locally produced matches, selling Lion, Springbok and book matches.

Mr Harker said his company did a roaring trade — exporting matches to Chile.

A shop assistant in a Johannesburg tobacconist was asked why Lion matches sold for 3c and Two Star for 2c.

"I've never really thought about it," she replied. "I suppose, it's because the price is on the box."
The unregistered National General Workers' Union yesterday threatened industrial court action against a Pretoria subsidiary of wood company Brulpark, which has fired its entire work force for striking.

The company, Vaness Products, which manufactures doors, sacked all 26 of its black workers yesterday after they had downed tools over a wage dispute.

According to union general secretary Mr Donnie Kumalo, the workers were told they could collect their pay on Friday and the company would begin recruiting new staff.

He said the union planned to seek an interim order against the company in terms of the Labour Relations Act to reinstate the workers.

Mr Kumalo said the strike had been prompted by differences between the pay of most workers at the plant — who received R1.30 an hour — and that of a group which received R1.59.

A company spokesman said the strikers had been dismissed after a deadlock in wage talks. He alleged workers had then walked out, and management had then dismissed them.
'Never fired' workers to go back to job

THE entire labour force of a Pretoria company Vaness Products, who were fired after a strike on Wednesday, will resume work on Monday.

The company, owned by a wood company Bruply, told all 38 of his workers on Wednesday that they had "dismissed themselves" for walking off the job.

Yesterday, however, the general secretary of the unregistered National General Workers Union, Mr. Donue Kumalo, said the company had rescinded its decision to fire the workers after talks with the union.

He said they would resume work on Monday and would not lose any benefits as a result of the strike.

Mr. Kumalo said Vaness had also agreed to negotiate with the union on the wage demand which prompted the strike.

A company spokesman confirmed yesterday that the workers would resume work on Monday. He said Bruply had investigated the matter and "the workers were never fired in the first place".

He confirmed that talks would take place with the NGWU next week, adding: "We are always prepared to negotiate with unions."
PE union gets rights for 21

About 21 contract workers in Port Elizabeth have been given permanent city rights in a country-wide movement by trade unions to get their members these rights in terms of the Kikhoti ruling.

In a much larger campaign, about 300 applications for Section 10(1)(b) rights have been filed with the administration board in Mooi River, Natal.

The 21 workers, employed by Timber Industries, were given the rights after an active trade union campaign in the factory.

Since the historic judgment in which the Supreme Court ruled that migrant workers who had worked for one employer for more than 10 years were entitled to Section 10(1)(b) rights, trade unions have been pushing employers to assist in getting these workers' urban rights.

On a much larger scale, a similar campaign has been conducted by another Fostatu affiliate, the National Union of Textile Workers at Mooi River Textiles in Natal.

Meanwhile on the Reef, the Black Sash has charged that Wrab was still refusing to grant these rights to workers.
Firm re-instates 25

THE VANESS Products company in Pretoria yesterday re-instated 25 of its employees who were last week fired for going on strike.

According to the organising secretary of the National General Workers Union (NGWU), Mr Donnie Khumalo, members of his organisation were dismissed after they had gone on strike for better pay and improved working conditions. Management refused to meet their demands and ordered an immediate termination of their services.

Mr Khumalo said, however, an agreement to have all the dismissed workers re-instated at the door manufacturing company was entered into in a meeting between union officials and management.

Negotiations for wage increases will be held today. Workers have requested a 30 cent per hour increase on their present R1.30 hourly rate.
NGWU in second big victory in a week

By ALINAH DUBE

THE NATIONAL General Workers Union (NGWU) won their second victory in a week when the Vaness Products Company in Pretoria agreed to increase wages of all union members yesterday.

The union had 25 of its members earlier this week re-instated at the same company after they were dismissed for going on strike. The workers' demands included better pay and improved working conditions.

The organizing secretary of the union, Mr Donose Khumalo, said management agreed that disparities in wages of the employees be done away with. A medical aid scheme would also be introduced to cover all the workers and their families, he said.

Before going on strike workers had requested a 30 cents per hour increase on their present R1.30 hourly rate. They also complained that some workers received weekly wages of R58 when some got R50. Mr Khumalo pointed out that this had also been looked into and said everything had "been balanced."
Dispute ends with merit increases for all

Labour Correspondent

A DISPUTE between the unregistered National General Workers Union and Pretoria company Vaness Products, a subsidiary of wood company Bruply, has been settled after talks between the two sides.

The dispute led to a strike by the company's 26 workers last week.

NGWU's general secretary, Mr Donse Kumalo, said yesterday that the company had agreed after negotiations of the latter that the company had agreed after negotiations to grant a merit increase — which had been awarded to some workers and not others — to all workers.

He had also agreed to establish a medical aid scheme for workers.

A company spokesman confirmed this but added that the difference in pay between workers who had received the increase and those who had not, amounted to only 3c an hour.

"Unfortunately, there was a misunderstanding. The union thought the difference was R1.69 an hour — in fact it was R1.69 a week," he said.

He said the company had never objected to establishing a medical aid scheme and had invited the union to help set one up.

"We believe these talks have established a sound relationship between us and the union," he said.
Strikers ready to take legal action

ANOTHER group of dismissed workers who went on strike after one of their colleagues was allegedly assaulted by their white boss, has threatened to take court action if they are not reinstated.

A total of 51 workers at the Penaar and Grabe Wood Factory in Rosslyn, who went on strike over pay demands last week, also claimed yesterday that they were subjected to daily assaults by the authorities including their manager.

A spokesman for the workers said the strike was sparked off when their colleague, Mr Antipas Leso, one of the three members of a committee which negotiated for a 30 cents an hour increase, was allegedly punched and kicked by two managers in a certain foreman.

A total of 50 workers went on strike in solidarity with Mr Leso after he was told by management that he had been fired. The workers, who have since joined the union, also lashed out at the company's bad treatment and condemned management for the daily assaults they are subjected to.

An official of SAAWU, Mr Deacon Mathe, yesterday said his union was going to negotiate with management for the re-instatement of the workers failing which court action would be considered.

About 300 workers fired at Pool Industries in Rosslyn last week have also threatened to take court action against the company for their "unfair dismissal" over pay demands.
300 Strike
at Mobeni,
Pinetown

Mercury Reporter

ABOUT 300 workers at
the Mobeni and Pinetown
branches of Federated
Timbers Ltd, a Barlow-
Rand subsidiary, have
downed tools in support
of their demand for more
pay.

Workers at the Mobeni
branch went on strike on
Monday, after rejecting a
pay rise of between R2
and R3. They are de-
manding a minimum rise
of R10 which, if granted,
would push up their mini-
mum wage to R48 a week.

According to a spokes-
man for the workers,
more than 50 percent of
the labour force at the
Mobeni branch of the
building materials mer-
cants earn R48 a week.

He said they found it
difficult to 'make ends
meet' with their present
wages. The bulk of our
wages is taken up by trav-
eling costs and rent,
'leaving us with little for
food and clothing'.

Across-the-board

Workers were sticking
to their demand for an
across-the-board rise of
R10.

At the Pinetown branch
workers downed tools
last week. Their demand
was considered by the
management on Friday.

"When" told on Monday
that their demand had
been rejected they con-
tinued their strike.

Mr John McDonald,

Natal regional manager
of Federated Timbers,
yesterday confirmed the
work stoppage, and said
they were apparently the
result of dissatisfaction
with wages.

The latest increase,
which came into effect on
October 1, had been 'a
fair rise and the best the
management could afford
in times of economic
recession'.

Mr McDonald denied
that workers at the
Mobeni branch had been
given an ultimatum ei-
ther to return to work to-
day or face dismissal. He
said all the striking work-
ers had been asked to re-
turn to work.

At Pinetown, the man-
germent had met work-
ers' representatives for
further talks.

At Mobeni, workers had
been asked to nominate a
representative, with
whom grievances could
be discussed.

'So far they have not
done so, but the company
has indicated its willing-
ness to meet them at any
time,' Mr McDonald said.
200 pay strikers return to their jobs

Mercury Reporter
MORE than 200 workers at Federated Timbers in Mbeni, who went on strike on Monday for more pay, returned to work yesterday after talks with the management. But their 300 counterparts at the Pinetown branch continued their strike yesterday after being told by management that there would be no further wage increases this year.

Mr John McDonald, the company's Natal regional manager, said management representatives had met Mbeni branch workers yesterday morning and confirmed that no wage increases would be given.

After further discussions workers agreed to end their strike.

At the Pinetown branch, the management met workers' representatives and also confirmed that no wage increases would be given. Workers were urged to return to work, but they refused.

However, they had conveyed a message that they would return today. Mr McDonald said.

The workers at the Barlow-Rand subsidiary had demanded a R10 across-the-board weekly increase. They rejected an increase of between R2 and R3 which came into effect on October 1.
Four-day stoppage ends as 100 return

Mercury Reporter

THE four-day work stoppage at the Pinetown branch of Federated Timbers ended yesterday when all 100 workers returned to their jobs.

Mr John McDonald, the company's Natal regional manager, said yesterday that the strike ended after workers were told that the stoppage could not continue indefinitely.

Those who did not return to work by 7 a.m. would leave management with no choice but to terminate their contract of employment.

The workers downed tools on October 31 in support of a demand for more pay, according to a spokesman for the workers.

Mr McDonald said management had been very patient and had offered to pay them for Monday and Tuesday, provided they returned by Wednesday, November 2.
Sappi pays R2.4m for board firm

Industrial Editor

SAPPi has acquired a particleboard business which it plans to integrate with its Novobord interests on the Reef. It has paid R2.479 000 for Timberboard and Beau Estate & Finance Company, a property-owning company. The deal is effective from November 1.

The price will be settled by the issue of 230 606 new ordinary shares at a price of 1.075c; Sappi's closing price on October 31.

The new business consists of a particleboard manufacture and upgrading plant at Alrode, near Johannesburg. The acquisition will provide Novobord, which has operations in Port Elizabeth, White River, and on the Reef, with additional particleboard manufacturing facilities and will help it to service the Transvaal market.

It will also provide Novobord with opportunities for rationalisation.

As Sappi has sufficient unissued shares under the control of the directors, it does not intend to call a shareholders' meeting to approve the share issue. The Timberboard acquisition is not expected to have much effect on either the earnings or the net asset value of Sappi shares.
EAST LONDON—About 220 workers had been fired at the Buffalo Timber and Hardware factory at Wilsonia here following a work stoppage, the South African Allied Workers’ Union said yesterday.

The trouble was claimed by the union to have started on December 6 after a fight between a worker and a supervisor.

A Saawu spokesman, whose name was not revealed, said that during the fight the supervisor’s brother, also employed at the factory, had tried to join in and other workers had stopped the fight.

The workers downed tools on December 8. When they returned on December 9, they said, they were told they had dismissed themselves and that they should return on January 10 when they would be re-employed.

The managing director of the company, Mr John Kool, said yesterday he had been on leave and would reserve comment.

— DDR
Barrow's in R96m deal

HLH selling off Blaikie-Johnstone, Woulter Steel

By Howard Price
The pair, who pleaded not guilty, earlier claimed that the bloodstained jackets they wore when prison warders entered their cell had belonged to two members of the 28's gang.

Although Amnetti did not provide financial or legal aid, it could act as an intermediary to try to raise funds, Mr Kirk said.

Meanwhile, a State application for the withdrawal, cancellation and repayment of the R10,000 bail of Ciskei's former Minister of Transport, Mr Namba Sebe, was made in the Zwenithsha Magistrate's Court yesterday.

BAIL

Advocate P. Oosthuizen, SC, argued that Mr Sebe had broken a bail condition by leaving Ciskei and travelling through South Africa to reach his Frankfort farm.

Mr Sebe, who is facing charges of fraud and corruption, was detained last week under section 26 of the National Security Act.

Mr JCF Froman for Mr Sebe, announced that he would apply for a change to the bail conditions to allow Mr Sebe to travel to King William's Town and to his farm.

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Manufactured in South Africa
HLH announces details of pyramid — Huntcor

JOHANNESBURG. — Flush with cash, Hunt Leuchars & Hepburn (HLH) yesterday took the first step on the road to aggressive organic and acquisitive growth with the announcement of details of its new pyramid company.

HLH will recommend to shareholders that a pyramid holding company called Huntcor be created through a scheme of arrangement subject to Johannesburg Stock Exchange approval, the Huntcor shares will be listed at the end of April and documents giving details of the scheme will be mailed to HLH shareholders in March. HLH, which announced that it intended forming a pyramid company in January, was recently in the news when it sold Wolsteel and W F Johnstone to Barlow Rand for a total of 300,000.

Wolsteel, the steel merchanting wing of Wolhuter Steel, was sold to Robor Industrial Holdings for 300,000 and W F Johnstone, which has 84 percent of building materials group Blakie-Johnstone, went to Barlows for 340,000.

Pyramid companies are traditionally formed as a protection against take-over raids. But in HLH’s case the main consideration seems to be to provide a base for expansion when the time is ripe, while also serving to attract the Hancock and Hepburn family interests.

According to a statement from HLH, the creation of Huntcor arose from the wish to provide a group capital structure which would facilitate future development of the interests and operations of HLH. Another important factor was to boost the marketability of HLH’s shares on the JSE.

This is now proposed in a manner which will retain the control of various areas of operations in HLH in the hands of its existing controlling shareholders on a formalized and secure basis, the statement said.

The mechanics of the deal will mean that all HLH shareholders will be allotted shares in the pyramid, which will in turn hold 66.7 percent of HLH.

New shares

Huntcor will be created by a capitalization issue by HLH to Huntcor of two new HLH shares for each existing HLH share.

Each HLH shareholder will then be allotted and issued with one Huntcor share for each HLH share.

Shareholders with 100 existing HLH shares on the deal’s effective date of April 30 will then hold 100 HLH shares and 100 Huntcor shares.

The group says that based on a market price for existing HLH shares of 900c, a share is expected that after the new HLH shares and the Huntcor shares have been issued, the respective market prices of 300c and 600c. HLH chairman, Mr Chris Perry, said the group had been keen for some time to create a capital structure which would facilitate future development.

“The formation of the pyramid had been under consideration for some months and the timing was now considered opportune.”

“The new capital structure will allow us to continue to develop HLH’s interests. At the moment we have no major developments in mind which would require the issue of HLH or Huntcor shares, but we feel it important to create the necessary framework.”

Asset value

HLH had a net asset value of 716c a share on August 31 last year. Had the scheme been effective on that date, the NAV would have stood at 239c, while the NAV of Huntcor — which will have as its only investment HLH’s 66.7 percent HLH stake — would have measured 477c.

After the Barlow Rand sales, the group said it initially aimed at earning 110c a share for the year to August 31, 1984, representing a 15 percent increase. Dividends were projected at 52c.

A spokesman for HLH said that after the formation of Huntcor and based on published forecasts, shareholders could — assuming the scheme had been effective for a full financial year — have expected Huntcor earnings of 13c and dividends of 39.67c. Their holdings in HLH would have netted them, under the same circumstances, earnings of 36.7c and 37c dividends of 17.33c.

Huntcor shareholders are likely to be about 5.3c for the six months to February 28.

Shareholders can expect a maiden interim dividend of at least 10.67c a share from Huntcor.

Huntcor’s policy, as in the way of most pyramids, will be to pay out all income through dividends.

Strategy

Mr Perry further explained the strategy behind Huntcor, and said HLH was “always looking” for new companies. Huntcor was the first step towards expansion within the designated areas. These comprised the areas of operations of the remaining two divisions after the Barlow sale — timber and steel processing.

Comment. HLH is still consolidating its position after the sale of its divisions to Barlows and, aside from the new pyramid, no fireworks in the way of acquisitions can be expected this year.

But with its structure now right, the following year could very well be exciting.

Call rates

HLH, after having paid certain debts, has taken the equity ratio down from 70 percent to about five percent — still has a significant portion of the 566m left with good money being earned on call rates, the company is obviously in no hurry for acquisitions.

But there are a number of companies which HLH has its eyes on — primarily in the timber industry as well as possible further acquisitions of timber sawmills.

At its current price HLH could very well prove to be one of the growth stocks of 1985.
TIMBER & A wasteland

While commercial forestry produces a surplus of timber, overcrowding in the homelands, where wood is a fuel source, is depleting natural forest areas at an alarming rate.

Just how serious the situation has become is spelt out in a report published by the University of Natal’s Institute of Natural Resources in KwaZulu, for example.

Financial Mail February 24, 1984

200 of the 250 indigenous forests have all but disappeared over the last 50 years. Research done in 1982 concludes that the average black rural household (seven people) uses 4 t of wood a year, with each woman spending one day a week gathering wood — and often having to walk 15 km to find any.

"If it was dead wood being gathered, there would not be any environmental risk," says researcher Mark Gandar, "but shortages have forced people to use live trees, thereby diminishing future supplies and causing wide-scale erosion. As the degradation of rural areas worsens, the scarcer become the resources (human and financial) for reversing the downward slide."

Shrinking supplies have made firewood a commercial commodity in both rural and urban areas, with merchants competing for a resource without having responsibility for protecting or replacing it.

KwaZulu commits 94% of its 27 000 ha of plantation to commercial timber production and spends only 0.1% of its budget on forestry development.

There are no simple answers for a problem this size, but an increase in the transfer of waste and surplus timber from the commercial to the non-commercial sectors would have some effect. However, the report says any large-scale change would have to come from setting aside areas for growing firewood and from encouraging black commercial timber growers.
Govt probe into timber problems

Staff Reporter

A Government-appointed committee is seeking a solution to dissatisfaction in the timber industry which buys valuable wood such as stinkwood, yellowwood and blackwood from State-owned forests in the Southern Cape.

The committee, appointed by the Minister of Environment Affairs and Fisheries, Mr Sarel Hayward, is under the chairmanship of the former Auditor-General, Mr Gerald Barrie.

It will report to the Minister on marketing practices of wood from the State’s Tstsikama and other Southern Cape forests.

It will also investigate shortcomings, if any, in the present marketing practices. The committee will examine methods for the proper marketing of indigenous woods as well as blackwood.

The director-general of the Department of Environment Affairs and Fisheries, Mr J F Otto, said that, until now, part of the wood from the State’s forests had been sold at auctions, while some wood was held back for sale to local manufacturers in the Knysna area.

This had caused some dissatisfaction to people who bought at auctions and to local people who complained they did not receive enough of the supply, he said.

Unhappiness

There had also been unhappiness at prices charged to local manufacturers, as opposed to the prices fetched at auctions.

Interested parties who wish to make a contribution to the investigation can send written submissions by May 18 to the secretary of the committee, Mr K J Scholtz, Department of Environment Affairs, Private Bag X447, Pretoria, 0001.
Factory workers to contest sackings after go-slow pact

Labour Reporter

The sacking of nearly 500 workers at the Uniply factory in Cato Ridge will be contested by the workers in the Industrial Court in Durban today. According to Miss Pat Horn, Natal branch secretary of the Paper, Wood and Allied Workers' Union, the entire workforce was fired in May 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.

She said that although the workers had accepted their termination pay, they did not consider themselves dismissed. An application would be made to the Court in terms of Section 43 of the Labour Relations Act, which provides for temporary relief for reinstatement pending the appointment of a conciliation board by the Minister of Manpower, Mr. P T D du Plessis.

The workforce had had labour problems for a considerable time. She said matters came to a head earlier this year when four shop stewards were fired following the demonstration.

Two were reinstated after the Paper, Wood and Allied Workers' Union intervened. The company refused to reinstate the other two — which led to strikes of work stoppages and the go-slow campaign.

Company spokesmen were not available for comment last night.
Sacked wood workers to go to court

Labour Reporter

SACKED Pinetown timber workers are to challenge their dismissal in the Industrial Court, a spokesman for the Paper Wood and Allied Workers' Union said.

Mr Julius Maxambela, the union's organiser, said yesterday that the workers considered their dismissal to be unfair.

He said the workers had stopped work in support of a demand for an explanation from the management of Machined Timber for the sacking of seven workers.

'We do not regard the work stoppage as a strike, but a lockout,' he said.

Increase

Lawyers were being briefed to bring an urgent application before the Industrial Court to have the workers reinstated, he said.

More than 100 workers, some with up to 10 years' service, were fired on Tuesday.

Mr Rob Moxham, managing director of the company, had said that the dismissals had been unfair.

He said his company had been 'exceptionally fair' to its employees, and although it only needed about 60 workers, it had a staff of more than 100.

The company had recently granted workers a R5 increase in pay, he said.

'Originally we decided to give this as an attendance bonus, but the workers asked that it be included in their basic pay, which we agreed to do,' he said.

'I informed the staff that because of the tough economic times we will be forced to retrench workers from all departments. Seven workers were retrenched on Monday,' he added.

The others assembled outside the factory gates on Tuesday morning and asked to be paid off if the retrenched workers were not taken back.

Mr Moxham said the workers were free to go court if they wished.
EAST LONDON — Federated Timbers and the General Workers' Union (GWU) have signed recognition and wage agreements, a union official said here yesterday.

The branch secretary of the GWU, Mr David Thandani, said in a press statement: "The GWU and Federated Timbers have signed a recognition agreement which accords full collective bargaining rights to the union and its shop stewards."

"The union and the company have also concluded a wage agreement in terms of which the minimum basic wage will increase by 17 per cent.

In addition, certain service increments have been agreed upon."

A management spokesman for the company in Johannesburg said the agreements with the union, which is unregistered, would only apply to the East London branch.

The group personnel manager, Mr R W. Childs, said in a press statement yesterday: "An agreement on wages was concluded today between the East London branch of Federated Timbers and the General Workers' Union.

"Minimum wages will be increased by 17.3 per cent to R1.42 per hour with effect from October 1, 1984."

"In addition the company will introduce a service allowance whereby employees with more than three years' service will receive an extra 30c per week for every completed year of service."

"In view of the current economic situation and particularly the impact this is having on the demand for building materials, the company regards the increases as very fair and reasonable."

"The company has an ongoing commitment to improve the wages and working conditions of all its employees. The company also has a responsibility to protect the jobs of its employees to the best of its ability, especially during periods of economic recession."

DDR
A wage agreement concluded between the East London branch of Federated Timbers and the General Workers Union will increasing minimum wages by 17.5%.

Mr R W Caldas, group personnel manager of Federated Timbers, said in view of the current economic situation the increases were "very fair and reasonable".

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"It also has a responsibility to protect the jobs of its employees to the best of its ability, especially during periods of economic recession."
Major drive to promote timber houses

By IRVING STEYN
Weekend Argus Reporter

SOUTH Africa's timber industry is preparing to launch a campaign to promote timber frame houses — approved by the Government last week — which the manufacturers believe will revolutionise the home building industry.

They believe the answer to the chronic housing shortage lies in timber and that it could eventually replace conventional brick housing in popularity.

The South African Lumber Millers' Association (Salma) is injecting R1.5-million into the campaign, which precedes the implementation of new national building regulations on September 1.

The regulations, published in the Government Gazette last week, place no prohibition, as in the past, on types of building material provided they comply with standards laid down by the South African Bureau of Standards (SABS).

Specific provision is made for timber frame houses, but local authorities are empowered to turn down any plans — and not just for timber — if they think the building will disfigure the area or detrimentally affect the value of neighbouring properties.

A spokesman for Salma, Dr Apies du Toit, said the campaign was aimed at the man in the street.

"We want him to make wood his No 1 priority when he considers building material. It has many advantages."

Appealing

These include:
- Timber frame houses were aesthetically appealing.
- Timber was durable and flexible and had natural insulation properties.
- Timber was economical, required less maintenance and provided more floor space.

Dr du Toit said timber played a major part in housing in the northern hemisphere — 22 per cent of all homes in the United States were built from wood.

The local timber industry had an overproduction at the moment because of the economic climate.

However, this was not the reason behind the campaign. South Africa could provide for any amount of timber frame houses in the foreseeable future.

Salma's campaign in the Western Cape centres on a wood frame home being constructed in Fish Hoek.

The builder, Mr Peter Bance, was this week preparing to tile the roof, a mere three weeks after laying the initial concrete slab.

Carpeting

The 152-sq m house has three bedrooms, two bathrooms, a television room, double garage, sunken lounge, spacious kitchen, built-in cupboards all round and wall-to-wall carpeting throughout.

The cost of the house will have a brick veneer outside, will be R34 000. The same home in brick would cost about R50 000.

All sectors of the population will be approached in the Salma campaign.

Builder Peter Bance is framed in the window of the wood frame house he is building in Fish Hoek.
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Salma's campaign in the Western Cape centres on a wood frame home being constructed in Fish Hoek.

The builder, Mr Peter Bance, was this week preparing to tile the roof, a mere three weeks after laying the initial concrete slab.

Carpeting

The 1525 m² house has three bedrooms, two bathrooms, a television room, double garage, sunken lounge, spacious kitchen, built-in cupboards all round and wall-to-wall carpeting throughout.

The cost of the finished product, which

Workers scramble over the rapidly rising wood frame house — two days after they started on the walls.

Widow of hero sells his medal

Weekend Argus
Foreign Service
LONDON — An army bomb hero's George Cross, auctioned "with great reluctance" by his widow to raise money for the family, has fetched a record £4,500.

It was bought by the National Army Museum in Chelsea.

The medal was awarded posthumously to Sergeant Michael Willetts, 27, who, while serving with the Parachute Regiment in Belfast in May 1971, screened civilians with his body during a terrorist bomb attack.

Only hours before the sale Sergeant Willetts's parents appealed to their daughter-in-law Sandra not to sell the medal.

Mrs Anne Willetts of Nuthurst, West Sussex, said: "Sandy is a strong person and we feel sure she will come through this."

Builder Peter Bance is framed in the window of the wood frame house he is building in Fish Hoek.

will have a brick veneer outside, will be R54,000.
The same house in brick would cost about R80,000, Mr Bance said.
And instead of taking six months to build, it took six weeks.
All sectors of the population will approach in the campaign.
Timber men win better deal on rail truck levies

Mercy Correspondent

JOHANNESBURG—The timber industry and South African Transport Services (SATS) have reached an interim arrangement on rail freight tariffs. However discussions on the structure and cost of the new rail freight tariffs will continue because the timber industry is still not happy with the new system.

Mr Mike Edwards, director of the Forest Owners' Association, said: "We have negotiated an interim arrangement with SATS whereby the rail freight tariffs for timber will revert to a charge per ton transported and not a charge per truckload as previously announced by SATS."

This has had an immediate beneficial effect for the industry in that the weighted average railage cost increase has now dropped to about 15 percent. However, we still view this level of increase as excessive and further discussions with SATS are to be held.

Budget

SATS announced in March, shortly after Minister of Transport Affairs Mr Hendrik Schoeman's budget, that it was changing the rail charge for timber to a rate per truck from the previous system of a rate per ton.

SATS introduced a special levy of R2.50 on timber hauled over branch lines.

Mr Edwards said: "In principle we do not object to the system of charging a rate per truck which contains an incentive to the industry to achieve a better load per truck and so benefit from lower railage costs. However, we do not accept the base on which SATS is charging the rates which is a load of 39 tons of timber per truck.

The timber industry is divided broadly into the supply of softwoods and hardwoods and we would like SATS to recognise this by bringing in a differential rate per truck for the type of timber being transported.

Hardwood

The present system discriminates heavily against suppliers of hardwood," Mr Edwards said.

He pointed out that softwood, for use in pulp mills, can be supplied wet and would therefore weigh more than hardwood for use as mining timber which is supplied dry.

"You can easily load more than 40 tons of wet pine into a truck and so benefit from the proposed truck freight tariff. However, the maximum weight of mining 'timber' you can load into a truck is 32 tons and the average load is about 30 tons.

Softwood

The hardwood timber suppliers are being penalised by the new system when compared to softwood suppliers," Mr Edwards said.

The remaining bone of contention for the industry in the new tariffs is the R2.50 levy imposed by SATS on timber hauled over branch lines.

This levy is aimed at earning additional revenue from what SATS considers to be uneconomic railway lines in certain areas.

The effect on the industry varies but one timber executive estimated that more than 50 percent of his production was hauled over branch lines.

"We are very unhappy with this R2.50 levy and intend to take the matter further in our discussions with SATS," Mr Edwards said.
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Estimates by timber company executives put the effect of SATS’ original increases in railage charges at an average of 23 percent lower railage costs.

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PRODUCTION at Sappi Novobord in Port Elizabeth halted at noon today when about 500 workers stopped work in demand for more pay.

One worker said the men were asking for an increase of R1.20 an hour on top of normal pay of R1.80.

Mr Clive Watkins, general manager, said no offer had been made to the men, but everything was peaceful at the factory.

He confirmed production had stopped and said labour relations at the plant were normally good.
No settlement yet as PE strike enters 2nd day

Post Reporter

The strike at Sappi Novoboard went into its second day today as workers again arrived at the plant but refused to do any work unless their wage demands were met.

The strike started yesterday when the workforce of about 300 downed tools at midday. They refused to accept the wage increase they thought management had offered, describing it as "pathetically low."

Mr. Clive Watkins, general manager of Sappi Novoboard, said he had never even made a wage increase offer to the workers.

He had told them their demand of R1.20 an hour was unreasonable and had refused to consider it. What the workers were demanding was an increase of between 80% and 90% for the lowest paid workers.

He said the strike was illegal.

Mr. Watkins said a group of four people had been making representations to management, but they admitted they were not elected to represent the workers.

When the workers elected accredited representatives, negotiations could begin.

Today two workers from Sappi Novoboard, Mr. Zola Tesana and Mr. Gerald Ndela, said they were spokesmen for the workers and outlined their grievances.
A crowd of about 250 dismissed workers stood on the pavement opposite the Sappi Novoboard plant today hoping management would reconsider the decision to fire them and re-open wage negotiations.

Every Post
17 May 1985

Strikers hope to be hired again

Post Reporter

WORKERS at Sappi Novoboard, who stood on the pavement outside the plant in Grahamstown Road, Port Elizabeth, today, said they were hoping management would reverse the decision to dismiss them and compromise with worker demands.

A total of 245 workers were fired after a four-day strike which reached a deadlock.

Mr Clive Watkins, general manager, warned workers earlier that the strike was illegal, and said those who failed to report for work would be dismissed.

He also said the workers demands of an hourly increase of R2.20 was unrealistic.

Workers then lowered the demand to an 80c an-hour increase. Management refused to meet that demand.

Today Mr Watkins said those who walked out re-applying for work would do so on Monday. However, he could not guarantee re-employment.

Workers who gathered outside the factory today said they felt they had been fired unfairly.

They said they would stand outside the building until management spoke to them. They wanted to return to work and re-open wage negotiations.

Among those who were standing outside their jobs are the two workers elected by the employees as spokesmen — Mr Zola Tseana and Mr Gerald Nkela.
Workers reinstated

Staff Reporter

The Industrial Court has ordered Boland Hout Nywerhede to reinstate 11 workers who were dismissed in December.

The order, which was made on Friday, came after the workers argued that their dismissal constituted an unfair labour practice because they had been dismissed for union activities.

A spokesman for the attorneys acting for the workers said yesterday that applications had been made in respect of 13 workers. No reason had yet been given for the court's refusal to order the reinstatement of the other two workers.

The order, issued in terms of Section 43 of the Industrial Conciliation Act, is a temporary interdict that will remain in force until the dispute is resolved between the parties.

Mr. Pierre Roux, SC, was on the bench. Mr. Joel Krige was instructed by Mallinck, Ress, Richman and Closeberg for the applicants. Boland Hout were represented by Mr. J. Gauntlett, instructed by Silberbauer.
SAPPi Noyobord in Port Elizabeth has fired another 117 workers, bringing the total dismissed to 425 since the plant was hit by a strike more than a week ago.

The company announced yesterday that a number of workers reported to the factory yesterday morning to seek re-employment. It said there had been attempts by people outside the factory to intimidate those re-applying.

The workers went on strike over a wage increase demand. SAPPi Noyobord then fired workers who refused to return to work.

- Ford's Struandale plant will close at noon tomorrow for the remainder of the week. A company spokesman said a depressed vehicle market had necessitated the move.
- Sixty-five Metal and Allied Workers' Union members, dismissed by Litemaster Electrical in the Transvaal in 1983, will be reinstated by order of the Industrial Court. Back-pay is expected to amount to R800 000.
- The reinstatement of workers dismissed by the Triomf Fertilizer company in the Transvaal over a year ago was discussed yesterday by the company and a delegation of the South African Chemical Workers' Union.
- Production at five Cobrebrick brickworks in the Western Cape was affected yesterday by a strike action over a pay dispute.
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 Myula 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 Mxolisi Xolani Nduna (24) of Daveyton, Benoni, who is a member of the Chemical Workers Industrial Union. They appear before Mr Justice 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 JA 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 before. 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)
Ford leaves 850 with no tomorrow

FORD'S Struandale plant in Port Elizabeth was closed on Wednesday — and will only re-open on July 2.

About 850 workers are affected by the closure.

Ford PRO Deon Ebersohn said the closure was as a result of the lowest April car sales in eight years and the lowest light commercial vehicle sales in 16 years.

The National Automobile and Allied Workers' Union's regional secretary Les Kettle said it was "terrible" news that Ford would close for a long period instead of organizing shorter workweeks.

AT SAPPi Novoboard's PE plant, 425 workers were fired after they went on strike a week ago over wage demands.

Some of the workers have been with the firm for over 30 years.

They were demanding that:

- Wages be increased by R1.20 per hour for all employees — regardless of grade.
- Shift allowance be increased.
- Annual increase of up to 50 percent be granted.
- Shift workers be allowed lunch hour. Workers do a 12-hour shift.

1991 C. Press 26/5/81
Bid for Kaap Kunene increased by R6m

By PAUL DOLD
Financial Editor

KAAP KUNENE'S controlling shareholders - the Du Preez and Neethling families have increased their offer to minorities by R6m to R54m, and the bid has been increased from 490c to 475c a share with the Sunderland offer now up 14c to 144c.

The increased offer followed negotiations between Mr Issy Goldberg (on behalf of minorities) and the controlling shareholders.

Both the Kaap Kunene and Sunderland shares were suspended at the request of the companies yesterday and the group must be congratulated on the secrecy which surrounded the revised offer.

Senior staff and their auditors worked late into the night to prepare the new circulars to some 6,000 shareholders.

Certainty

There is no certainty as yet whether the increased bid is sufficient to gain the acceptance needed for the offer to be approved. The house has not yet approached institutional shareholders.

Mr Issy Goldberg said yesterday that the revised offer was in his view fair and reasonable, while a spokesman for one of the groups of institutional shareholders opposing the offer said that he was unlikely to vote in favour if the bid remained below 500c.

Mr Du Preez made it clear last night that the 475c offer was final and would not be increased. This is bound to weigh the R6m profit on the expropriation by Armcor of the company's De Hoop property as a special bonus. This totalled some R2,6c a share.

The third factor which led to the increased offer was that payment to shareholders on the approval of the offer will now be far later than was envisaged. Although the offer was first mooted in February, it had only recently been possible to make a formal bid.

Investors

Mr Goldberg said that investors were faced with the vulnerability of the shares due to:

- SWA-Namibia sourced income
- The exposure in Chile which could result in a loss of R10m
- The state of the property market and the group's undeveloped land in the Port Elizabeth area
- The poor demand for timber products and the virtual closure of the Post Retail sawmill
- The vagaries of the fishing industry

Mr Goldberg said he was fully aware that various critical analysts have put the asset value per share of Kaap Kunene at anything between 550c and 650c.

"This may or may not be correct. Analysts have been known to make mistakes.

"However, asset values should not be the prime factor for consideration. What they produce in terms of income and dividend are of paramount importance to shareholders. Certain shares are trading at a third of their net asset value," he said.
DURBAN — Three hundred and fifty workers in Durban's Toncoro building material factories will be retrenched next week, executive chairman, Mr Cedric Savage said yesterday.

"We have already had to lay off 3000 workers and by the end it could be 4000," he said.

The cuts were due to the slump in the building industry, which Mr Savage said had reached a "depression". Sales of Toncoro products had fallen 35 percent in the past year.

Asked whether the trade unions would accept pay cuts rather than unemployment, Mr Savage said it was doubtful especially regarding their high demands at past wage negotiations.

Yesterday, Mr Chris Saunders, the chairman of the parent company, the Tongaat-Hulett conglomerate, said there would have to be retrenchments at all levels in certain divisions.
Strike unrest at Sabie mill

CLAIRE PICKARD-CAMBRIDGE

SIX hundred striking workers allegedly burned part of their residential quarters at Mood's saw mill in the sleepy Eastern Transvaal village of Sabie.

The strike, involving most of the black workforce, flared up on Monday and continued yesterday over production bonuses and working conditions.

A police source said there had been unrest among striking workers on Monday night who set some buildings in their living quarters on fire. Management declined to confirm this, saying the cause of the fire was being investigated.

Police officially refused to comment on the incident, besides confirming they had been called in.

The picturesque town has experienced little industrial action in the past.

An Anglo spokesman said the fire damaged a kitchen and a dining room in the workers' residential area. Management was still engaged in negotiations with a worker delegation. No union was involved in the dispute.
Mondi Timbers cuts output

MONDI TIMBERS, part of Amic, has cut production and mothballed saw-mills.

John Rance, president of the SA Lumber Millers' Association (Salma), reports Mondi has done this to 'take the heat off the market'.

A spokesman for the Mondi division, confirming the situation, says it is a reflection of the times.

He adds that year-on-year structural timber volume is down 27%, non-structural 11.8% and that one of the surest barometers of the state of the industry is the export level, which has nearly doubled in volume compared to January-November 1994.

'The severe decline in demand for sawn timber, in particular structural grades, led us to review our installed capacity because we had to ensure that our market share enabled us to operate at a level above break-even point.

'To achieve this, a number of smaller units have either been permanently or temporarily closed since 1994 and further capacity reductions have been affected at other sawmills where this was necessary to minimise losses, conserve cash or reduce stocks.'

Mondi's cuts have come at its operations across the country from the Cape to the Eastern Transvaal.

However, the developments at Mondi cannot be seen in isolation because they are symptomatic of conditions throughout the entire industry, as highlighted by a recent Salma survey.

This showed that the millers' average total costs over the past five years (1991-1995) increased by 15% a year compared to the average annual increase in sales price of 11.4%.

Further, it showed that the industry's return on investment position was tenuous. According to the survey, the required return is calculated to be 12% in real terms.

However, while it went on to say that the industry had achieved this rate over the past five years, it warned that its longer-term viability would come under severe pressure if trends emerging over the past two years continued.

Rance, previewing the industry's prospects for 1996, says he hopes it does not end up in a price war. 'I am hopeful that there can be some sanity.'
Staff Reporter

SEVENTY-FOUR workers at the Aulton Timbers factory in Retreat returned to work yesterday after a two-day strike, while 250 workers at two PG Glass factories in Epping downed tools over the threatened retrenchment of 26 colleagues.

A spokesperson for the Paper, Wood and Allied Workers' Union said the 75 returned to work after Aulton management refused to negotiate with the union unless workers agreed not to go on strike again.

The workers, in consultation with the union, had already decided to return to work yesterday "in the interests of further negotiations", the spokesperson said.

The strike was called when management initially offered to raise the minimum hourly wage from R1.43 to R1.54 later to R1.62 an hour. The workers are demanding that it be increased to R1.93.

At PG Glass, 250 workers downed tools when negotiations over the retrenchment of 26 workers broke down.

A spokesperson for the Chemical Workers' Industrial Union said workers had agreed to rather accept lower wages by working short-time than see the 26 retrenched.

Negotiations on the retrenchments continue on Monday.
Timber strike over

Staff Reporter

SEVENTY-FOUR workers at the Airton Timbers factory in Retreat returned to work yesterday after a two-day strike, while 250 workers at two PG Glass factories in Epping downed tools over the threatened retrenchment of 26 colleagues.

A spokesperson for the Paper, Wood and Allied Workers' Union said the 75 returned to work after Airton management refused to negotiate with the union unless workers agreed not to go on strike again.

The workers, in consultation with the union, had already decided to return to work yesterday "in the interests of further negotiations," the spokesperson said.

The strike was called when management initially offered to raise the minimum hourly wage from R1,43 to R1,54 — later to R1,62 an hour. The workers are demanding that it be increased to R1,83.

At PG Glass, 250 workers downed tools when negotiations over the retrenchment of 26 workers broke down.

A spokesperson for the Chemical Workers' Industrial Union said workers had agreed to rather accept lower wages by working overtime than see the 26 retrenched.

Negotiations on the retrenchments continue on Monday.
International ties put a shine on PG

From PETER FARLEY

JOHANNESBURG. - The Platé Glass group learnt heavily on its international subsidiaries in the year to end-March, to produce full year figures fractionally up on the previous year.

With both its SA wood and glass operations hit badly by slumps in the building, motor and furniture industries, the group's decision to diversify internationally paid handsome dividends.

Nevertheless, margins remain better in South Africa and the increased contribution from the offshore interests meant that operating returns slipped to 6 percent from 7 percent.

Though almost 60 percent of turnover was generated by the overseas operations, only 34 percent of pre-interest profit was made outside SA. This was substantially up on the 20 percent from that source in the previous financial year.

Group turnover is now nudging the R2 billion mark, with a 44 percent leap in sales to third parties slightly tempered by less growth in inter-group and indent business.

The dividend has been maintained at a total 105c for the year, costing a total of R17 million.
Cartel exemptions while talks go on

Cement and timber set-ups being probed

FURTHER discussions and investigations into organisation of the cement and timber industries will have to take place before the Competition Board can decide on what changes — if any — are necessary.

The cement industry has been given a two-year exemption from the anti-cartel legislation promulgated last week so ways and means of increasing competition in the industry can be discussed with the board.

A decision on whether or not the Timber Marketing Agreement (TMA) should be exempt will depend on the outcome of the board's investigations into concentration in the sawmilling industry.

Cement Producers' Association (CPA) chairman Peter Keil, said he did not believe the temporary exemption meant present pricing and distribution arrangements in the industry had to be phased out.

The CPA represents the four major manufacturers — Anglo Alpha, Blue Circle, Pretoria Portland Cement and Natal Portland Cement — and decides on minimum prices.

Andries Swart, executive director of the SA Lumber Millers' Association (SALMA), said the board would finalise the application for the exemption of the TMA from the anti-cartel legislation once it had completed its investigation into concentration in the sawmilling industry.

The advertising industry has been granted an exemption until September from the Competition Board's ban on horizontal price-fixing.

The board has asked the industry's Joint Accreditation Committee for more information concerning its application for exemption.
Uniply moves to the Cape

By AUDREY D'ANGELO

One of the largest manufacturers of plywood and blockboard in the country, Uniply, in the Barlow Rand group, is moving to the Cape from Durban.

Managing director Lew Behr said in an interview yesterday that the decision followed Uniply's recent acquisition of Thesen's plywood operation at Knysna.

The move to Knysna would bring Uniply near sources of raw materials and it would benefit from decentralization grants.

Behr said the move would create between 200 and 300 jobs at Knysna.

Although about 25 people in top and middle management and administration would move from Durban, it had proved impossible to take black workers or Asiatic staff because there were no facilities for them at Knysna.

As far as possible, they were being found alternative jobs and "quite handsome severance pay" was being offered.

About 220 people were affected.

Behr said the move would be completed by July and interruptions of supply of plywood and boxwood to industry would be minimal.

He said Uniply's market in this country had been badly affected by the recession. It supplied the building, boatbuilding and furniture industries, all of which had been hit.

Uniply had been active in export markets, helped by the weakness of the rand, but mainly in order to maintain production.

"The export market can never be very profitable for us because competition is keen and, because of the volume they produce, we cannot match the unit costs of American manufacturers."
Bertie Lubner heads up board and laminates giant

PG Wood in R250-m merger

By Peter Farley
Investment Editor

A major new force in the local board and laminate industry has been created by the merger of various interests of PG Wood Industries, Afcol and Mundi.

The new company — which has yet to be named, but which will have turnover of R250 million — brings together 70 percent of PGWI's SA interests, plus Bison Board, a company owned by Mundi and Afcol.

The new structure has three main divisions — particleboard manufacture, melamine laminate and a distribution operation — and will be 50 percent owned by PGWI and 50 percent held by Spankor in which Mundi and Afcol have equal stakes.

PGWI chairman Mr Bertie Lubner, who also chairs the new company, said last night that the merger will both strengthen operations in the local market and provide an important platform for exports.

Until now the three operations have had little in the way of exports of these products, but are aiming for sales in this area to total 10 percent of turnover this year.

Mundi chairman Mr Reg Donner said an aggressive attitude will be taken to exports, based on the historic experiences of Mundi and the international network of the PG Group.

He, and PGWI's Mr Leon Cohen — who will be chief executive of the new company — both stressed that SA exports can find a place in world markets if the quality and reliability of the product is good enough.

Both have just returned from business trips overseas and report that the so-called "apartheid discount" or threat of trade boycotts have virtually disappeared in the past few months.

On the local front, however, Mr Lubner said that while widespread competition would preclude increased margins through higher prices, a more efficient structure would enable overheads to be lowered and increased exports should reduce overall unit costs.

Afcol chairman Mr Laurie van der Watt stressed that the new company would not be extending its activities into the furniture industry, but would remain heavily reliant on demand from both that sector and the construction industry.

Mr Lubner said that there were no immediate plans to list the new company, but that if capital was required in the future it could be considered.

GREAT DEAL BIGGER

While precise figures of the respective companies would not be divulged, all the divisions put into the operation are currently profitable, with Mr van der Watt estimating that its share of Bison last year accounted for more than 20 percent of his group's profit.

The R250 million sales figure excludes historic inter-company sales between the three groups, so actual business conducted by the new company could be a great deal bigger.

All three chairman emphasised, however, the strategic importance of the deal and the longer-term implications, rather than any short-term profit benefits.

Mr Lubner conceded that the deal had been under discussion for some time, and said that much of the logic behind the merger was justified by the immediate creation of vertical integration within the industry, without one of the three parties involved having to go his own way and duplicate facilities.

He emphasised, however, that the new structure will be flexible enough to cater for the widest range of products — including a number of new developments — and will aim to meet the demands of all clients.
New group in board industry

JOHANNESBURG A major new group in the board industry, was formed yesterday by the merger of certain operations of PG Wood Industries' SA division (PGWI) with Bisonbord (Bison).

The new group with an annual turnover of R250m, gross assets of R160m and employing more than 3,300 people, is involved in the manufacture of particleboard, decorative laminates and the distribution of these and allied products to the furniture and building industries.

Forty branches of the board division of PG Wood and the business of laminate industries are included in the merger, with specialist timber and timber-related activities being excluded.

Bisonbord with its four strategically located manufacturing plants is the premier particleboard manufacturer in SA.

PGWI is a wholly-owned subsidiary of Plate Glass & Shatterprüfe Industries (PGSI) and Bison is a wholly-owned subsidiary of Spankor, which is jointly controlled by Mondi (an Amic subsidiary) and Afcol (an SA Breweries subsidiary).

As a result of the merger PGWI will hold 50% of the merged business and the other 50% will be held by Spankor.

The merger will not have a material impact in this financial year on the earnings a share of Afcol, Mondi or PGSI.

The individual operations will continue to trade under their existing names and operate substantially in the same manner as they did prior to the merger.
Joint venture

The merger of PG Wood Industries (PGWI) and Bsonbord will create a new giant in SA's timber industry, but not a monopoly.

This, at any rate, is the view of PGWI chairman Bertie Lubner. "The companies complement each other but they are not operating in the same markets," he says.

Bsonbord, a wholly-owned subsidiary of Spankor, which is jointly controlled by Amur subsidiary Mundi and SA Breweries' Africool, is a major supplier of particle board to PGWI, the wood division of the Plate Glass group PGWI, which contributes 35% of PG earnings, and Spankor will each hold 50% of the equity of the new company. For the time being, at least, there are no plans for a separate listing.

Essentially, the merger will reduce the duplication of manufacturing equipment, and enable the new company, which will have annual turnover of some R250m, to increase market penetration.

Lubner stresses that existing outlets will sell other manufacturers' products in line with market demand. Sappi's Novobord products, for instance, will still be used in manufacturing and sold through retail outlets.

"Our manufacturing companies will not confine the distribution of products to the PG group," says Lubner. He points out that Bsonbord is unable to supply full market demand.

Lubner hopes to increase exports from about 2% of combined output to 10%-20% in the next couple of years.

He says the PGWI and Bsonbord plants are operating at about two-thirds capacity, but exports could increase this substantially. Exports are also seen as an essential factor in keeping prices down.

Lubner outlines the different strengths of the companies involved. "The Anglo organisation is very manufacturing orientated, while SA Breweries' Africool concentrates more on manufacturing and distribution. PGWI, on the other hand, is a trader by history, and has strength in marketing and adding value," he says.
120 on strike over retrenchments

Labour Report

WORKERS in a section of P.G Wood at Epping today stopped work over a dispute with management about retrenchments.

A spokesman for the Paper, Wood and Allied Workers' Union (Pwawu) said workers clocked in this morning and about 120 refused to work.

The union had been discussing proposed retrenchments with management for about a week and reported to workers last night. They would rather go on short-time than have retrenchments, he said.

Mr. Watson Smith, managing director of P.G Wood, said the company was negotiating a recognition agreement with Pwawu which had reached representivity about two months ago.

It was company policy to preserve jobs by working short-time rather than retrenching but in some areas where the situation could not be offset by short-time the company had to consider retrenchments, he said.

Negotiations with the union were continuing.
Floating high

South African timber growers are riding the crest of a wave, helped along by a weak rand and strong demand for hardwood.

The Natal Co-operative Timber Company (NCT) reports that last year’s turnover jumped 43% and profit available for distribution to its 1,000-odd co-op members doubled to R2.7m.

At the same time the Central Timber Cooperative (CTC), in which the NCT has a 50% stake, has announced that its programme to sell wood chips to Japan has been so successful that its clients have ordered a vessel specifically designed to ferry wood chips loaded from Richards Bay.

Environment Minister John Wiley, CTC, and Forestry Department officials will attend the naming ceremony in Tokyo this week.

The vessel, the 33 000 t Craig the Pioneer, is being named after former CTC general manager and timber grower, Craig Anderson. Its maiden voyage to SA will take place later this year.

The contract to supply hardwood chips to Japan, now into its 11th year, was expanded from the original deal to supply 2.5 Mt in 10 years to 4 Mt.

David Earl, chairman of the NCT, says they are now considering exporting softwood chips and softwood logs in the round to markets in Europe. He maintains there’s a temporary surplus of softwood in SA.

Better balance

Besides adding to profits, softwood exports could bring a better balance to supply and demand in the local market.

The wood chip facility at Richards Bay has a capacity to export 750 000 t a year but is currently only handling 500 000 t a year.

Earl says that with minimal capital expenditure to divide the chip piles, the CTC could be in the softwood chip exporting business almost immediately.

According to Earl, strong demand has kept hardwood prices satisfactory. But with only two principal users of softwood in the country, Saspe and Moendi, and more than 2 000 private growers as well as State and company-owned forests, prices have “hardly moved in the last three years.”

Farmers, he says, are becoming despondent about the low prices. The hope is that a temporary export programme of around 100 000 t a year for two years will remove surpluses, bring about a more reasonable supply/demand situation, and ultimately push local prices up.

The CTC has embarked on a big afforestation programme to meet the expected demand for wood for local and export markets. A total of R3m in soft interest loans has been made available to growers this year and the co-op is working on a new financial assistance package to growers which will involve loans at 10%, with both capital and interest repayable when trees are felled.

At those terms the CTC could see plans for 20 000 ha of new planting in the next few years come to fruition.
**WATTLE INDUSTRY**

**Branching out**

Knocked for a six in the Fifties by massive oversupply and shrinking world markets, the South African wattle bark industry is making a determined rally.

The local wattle industry steadily sought new markets for wattle extract, and has now reached the point where revenue from sales of that product is equal to earnings from the sale of wattle timber.

The growth, says the director of the South African Wattle Growers' Union (SAWGU), Angus Temple, comes mainly from non-tanning applications of wattle extract, principally in the adhesive industry.

The wattle industry, which includes growing and extraction operations, moved profitably into the adhesive market on its own behalf by buying an adhesive factory, Bondite, from Sappi. This uses extract from SAWGU's four extraction plants in its manufacturing process, but some 95% of extract production now goes to tanning and adhesive markets abroad.

High rand earnings from extract sold on the international market in dollars enabled SAWGU to pay its members a bonus of R50 a ton for bark delivered during the current season. Temple believes another payout will be possible in the new season, which starts in September.

A consequence of SAWGU's successful marketing and the improved demand for extract is that wattle growers were permitted to step up their quota allocation to 70% of the basic bark quota. Last year the level was set at 55% of the basic quota. This was achieved at a time when bark supply quotas have also been rising.

But with 140,000 ha planted to wattle in Natal, Zululand, and the south-eastern Transvaal, Temple says there is no need to increase basic quotas at this point. There are more than 700 recognised growers, mainly in the Natal Midlands. Smaller black producers in KwaZulu, the Transkei, and Swaziland supply bark under a bulk permit issued to their respective departments of forestry.

But there is still an active market for bark quotas. At a recent auction in Maritzburg, quotas for 2,400 t changed hands at R328 a ton.

Controls introduced to stabilise the previous over-supply saw the steady conversion of land under wattle, especially in the Midlands, to alternative crops like sugar cane. Wattle bark demand and supply is now believed to be in much firmer balance.

Since the Wattle Act of 1960, the industry has largely regulated its own affairs with the Wattle Board overseeing its actions.

Temple says while it would be an exaggeration to say that the wattle industry is poised for phenomenal growth, the latest trends show that it is not about to curl up and die either.
Profit margins being eroded

Freight charges hurt timbermen

RAIL tariff increases continue to plague the timber industry, eroding minimum profits, says Timber Growers' Association (SATGA) director Bruce Ferguson.

In his annual report he says the tariff hikes have given cause for concern, with the January 1 increase pushing freight costs up by 15%.

“A short three months later saw another increase, varying in the case of rough timber from 3% over short distances to in excess of 10% for longer hauls.

“The industry is not in a position to absorb these increases at a rate in excess of the overall inflation rate and some alternative will have to be found if forestry is to remain a viable proposition.”

Conditions have been exacerbated by adverse socio-political factors.

“Of particular concern has been the high level of inflation, which increased during the year to unacceptable levels.

“Indications in the first quarter were, however, more positive and prospects for economic growth during the remainder of the year appear to be favourable.”

Markets for certain commodities, notably structural timber, have been adversely affected, with a resultant decline in demand for roundwood.

Demand for hardwoods, mining timber and pulpwoods, remains buoyant. The reduced value of the rand has assisted exports.

“Growers, however, were unable to obtain adequate compensation in all instances by way of enhanced roundwood prices for their increased production costs”

This was particularly noticeable in the case of pine pulpwood. Average increases in production costs were R4 a ton for 1986.

“Attempts were made to negotiate price increases at mid-year to recover increased rail tariffs. These attempts were unsuccessful, with the result that many growers were receiving less for their timber at the end of 1986 than in 1984.”

Negotiations for price increases from January 1 this year were more successful.
PWAWU holds strike ballot

THE Paper, Wood and Allied Workers Union (PWAWU) will be holding a strike ballot at five Mondi Board Mill plants around the country from today, following a dispute over a mid-year wage adjustment, a union spokesman said yesterday.

The union went into dispute with management a month ago, but the conciliation board meeting called to settle the matter was unable to resolve the deadlock.

At the Mondi mill in Bellville South, 200 union members out of a workforce of 210 will be asked if they are prepared to strike.

A company spokesman was not available for comment yesterday.
Timber reports unfair, says Sats

REPORTS that increased rail tariffs are driving timber industry profits below acceptable levels have been queried by Sats.

Marketing director Andre Heydenrych feels the reports are unfair in that negotiations with the Timber Growers' Association (Satga) are continuing and nothing has been finalised.

"We had a meeting with Satga as recently as last Monday. Our proposals were turned down, but the way was left open for negotiation."

He says historically revenue from timber — R160m a year — does not cover costs fully.

"Before deregulation, timber was heavily subsidised by more lucrative commodities — steel, sugar, fuel and cement."

"Now that deregulation is with us, and we subscribe fully to the concept, tariffs must fall in line with the going economic rate."

Heydenrych says a third tariff package will be presented to Satga towards the end of October.

"And until this package has been presented, I don't foresee any increase in tariffs."
Sawmill saga

The strong attack by John Rance, outgoing president of the SA Lumber Millers' Association (Salma), on interference in the industry's restrictive Timber Marketing Agreement (TMA) reflects industry woes.

The R300m-a-year sawmilling industry is fighting tooth and nail to keep its fixed-price TMA cartel, while it accuses State sawmills of undercutting TMA prices and stealing market share.

Government is not a TMA signatory. Its four State sawmills at Graskop, Louis Trichardt, Wemmershoek and George offer sawn timber free on rail at prices below those of TMA members. TMA prices include signatory members' aggregate transport delivery costs for specific areas.

Salma says this is unfair, but the State sector retorts that it's charging market-related prices as offered by Salma members until some two years ago.

"We did not change the rules," says Department of Environmental Affairs Deputy Director General of Forestry Aat van der Dussen. "Salma's TMA signatories decided to up their prices by adding average transport tariffs. Although our prices on rail tariffs are cheaper than TMA's, their timber is still cheaper in some areas.

He says Salma's problems are related to falling timber demand, and insists "we are not competing unfairly or stealing market-share.

Salma feels threatened by falling demand, undercutting of lumber prices and by government's strong focus on the industry.

The TMA was one of only four industry cartels temporarily excluded from the new Competition Board (CB) rulings which came into effect on May 2.

CB Deputy Director Wouter Meyer tells the FM the CB's three-year investigation into the dangers of excessive concentration in the sawmilling industry should be completed shortly. This will be followed by an investigation into horizontal price collusion.

Salma members account for roughly 90% of the sawn timber market, while the State pitches in with 6%-8% of sales. The effects of the shrinking market on sawmills is clear from Salma statistics.

Swart says that in the last two years falling sales and changing demand forced some 20 smaller sawmills to close. The rest of the industry is running at 75%-78% of capacity, and Salma is fighting to save other sawmills.

The industry's annual cash turnover gradually increased from R259m in 1983 to R284m in 1984 and R294,5m in 1985, but sawn timber volumes fell from 1,537m m³ in 1983 to 1,504m m³ in 1984 and 1,333m m³ in 1985.

The changing structure of the market also hit turnover and profitability.

"The sawn timber market used to be divided between lucrative structural timber sales and less profitable industrial timber," says Swart. "But first-quarter sales this year show a mere 36% share for structural timber and 64% for industrial timber in Salma sales. This reflects the slump in the building industry.

Structural timber sales have been falling dramatically since 1984, while industrial timber sales have remained "normal."

Says Swart: "Structural timber sales in the first half of 1986 were the worst of the past decade. First-quarter sales of 80 000 m³ were 5 000 m³ below sales in the same period last year. First quarter industrial timber sales of 140 000 m³ were well above 1985's 112 000 m³."

Booming industrial sales reflect growing exports, including export palletisation, and a significant revival of the furniture market, says Swart.
KENNISGEWING 642 VAN 1986  
DEPARTEMENT VAN MANNEKRAG  
WET OP ARBEIDSVERHOUINGE, 1956  
AANSOEK OM REGISTRASIE VAN 'N WERKGEWERSORGANISASIE

Ek, Adam Johannes Jacobus Barnard, Assistent-nywerhedsregisteraar, maak inbegrip artikel 4 (2) van die Wet op Arbeidsverhoudinge, 1956, hierby bekend, word dat 'n aansoek om die registrasie ontvang is van die Furniture and Wood Products Manufacturers Association (B en C Areas). Besonderhede van die aansoek word in onderstaande tabel verstreken.

Enige geregistreerde werkgewersorganisase wat teen die aansoek beswaar maak, word veroor die om binne een maand na die datum van publikasie van hierdie kennisgewing sy beswaar skriftelik by my in te dien, p/a die Departement van Mannekrag, Mannekraggebou 449, Schoemansstraat 215, Pretoria (posadres: Privaatpak X117, Pretoria, 0001).

TABEL

<table>
<thead>
<tr>
<th>Naam van werkgewersorganisasie</th>
<th>Furniture and Wood Products Manufacturers Association (B and C Areas)</th>
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<tr>
<td>Datum waarop aansoek ingediend is</td>
<td>5 Maart 1986</td>
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<tr>
<td>Belange en gebele teen opsigte waarvan aansoek gedoen word</td>
<td>Werkgewers betrokke in die Meubel- en Houtproduktynheid in die provincie Natal, uitgesonder die landgoeddistrikte Durban, Pinetown, Pietermaritzburg, Inanda en Mount Curry</td>
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<tr>
<td>Vir doeleinde hiervan beteken</td>
<td>“Meubelnywerheid” of “Nywerheid”, behoudens die bepalings van die afskakelingsvaststelling gemaak deur die Nywerheidshof op 1 September 1978, of enigdaadvolgende vaststelling, sonder om die gewone betekenis van die uitdrukking engens te beperk, die vervaardiging, hetsy in die geheel of gedeeltelik, van al die soorte meubels, afgesien van die materiaal wat gebruik word, en omvat dit onder ander ook die volgende werkzaamhede.</td>
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Herselwerk, stoffeerwerk, hersstoffeerwerk, beitswerk, spuitwerk of polierewerk en/of herpolierewerk, die maak van los stukstuk en/of Gesteuwings en/of gordyne, die maak en/of herstel van raamveermatrasse en/of rame vir stoffeerwerk, hutsmijnenwerk, finiereerwerk, houtdraaierwerk, houtsnijwerk in verband met die vervaardiging en/of herstel van meubels, poliereerwerk en/of herpolierewerk aan kliere, die vervaardiging en/of beitswerk, spuitwerk en poliereerwerk en/of herpoliereerwerk aan meubels vir trekkers, kantorer, keuken, slaap, kroë of teaters, kabinette vir musiekinstrumente en radio- of draadlooskabinette, en omvat die vervaardiging of die prosesse in die vervaardiging van beddegoed, wat so omskryf en vertolk moet word dat dit alle soort matrassen, veermatrasse, bomatrasse, kussings, peule en stukstukings insluit, en omvat voorts die werkzaamhede wat uitgeoever word op alle perselle waar hutsmijnenwerk, houtdraaierwerk en/of houtsnijwerk uitgeoever word in verband met die vervaardiging van meubels, en omvat voorts ook herstelwerk, hersstoffeerwerk of herpoliereerwerk aan meubels in of in verband met bedryfsligging waarin die vervaardiging van meubels of 'n werkzaamheid wat in verband staan met die finale bereiding van 'n meubelstuk vir verkoop, of in sy geheel of gedeeltelik, uitgeoever word, en die finiereerwerk aan gelamelerde blokbord- of laaghoudeure wat vir meubels gebruik word, en alle gedeeltes van materiaal wat by die vervaardiging van meubels gebruik word, maar

NOCTICE 642 OF 1986  
DEPARTEMENT VAN MANNEKRAG  
LABOUR RELATIONS ACT, 1956  
APPLICATION FOR REGISTRATION OF AN EMPLOYERS’ ORGANISATION

I, Adam Johannes Jacobus Barnard, Assistant Industrial Registrar, do hereby, in terms of section 4 (2) as applied by section 7 (5) of the Labour Relations Act, 1956, give notice that an application for the variation of its scope of registration has been received from the Furniture and Wood Products Industry in the Province of Natal, excluding the Magisterial Districts of Durban, Pinetown, Pietermaritzburg, Inanda and Mount Curry.

Any registered employers' organisation which objects to the application is invited to lodge its objection in writing with me, c/o the Department of Manpower, 449 Manpower Building, 215 Schoeman Street, Pretoria (postal address: Private Bag X117, Pretoria, 0001), within one month of the date of publication of this notice.

TABLE

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<th>Name of employers' organisation</th>
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<td>Date on which application was lodged</td>
<td>5 March 1986</td>
</tr>
<tr>
<td>Interests and area in respect of which application is made</td>
<td>Employees engaged in the Furniture and Wood Products Industry in the Province of Natal, excluding the Magisterial Districts of Durban, Pinetown, Pietermaritzburg, Inanda and Mount Curry</td>
</tr>
</tbody>
</table>

For the purpose hereto—

"Furniture Manufacturing Industry" or "Industry", means, subject to the demarcation determination made by the Industrial Tribunal on 1 September 1978, or any succeeding determination, without in any way limiting the ordinary meaning of the expression, the manufacture, either in whole or in part, of all types of furniture, irrespective of the materials used, and includes the following operations:

Repairing, upholstering, re-upholstering, staining, spraying or polishing and/or repolishing, the making of loose covers and/or cushions and/or curtains, the making and/or repairing of box spring mattresses and/or frames for upholstering, woodmachining, veneering, wood-turning, carving in connection with the manufacture and/or repair of furniture, the polishing and/or repolishing of pianos and the manufacture and/or staining, spraying and polishing and/or repolishing of tearmoom, office, church, school, bar or theatre furniture, cabinets for musical instruments and radio or wireless cabinets, and includes the manufacture or processes in the manufacture of bedding, the definition and interpretation of which includes all manner and/or types of mattresses, spring-mattresses, overlays, pillows, bolsters and cushions, and further includes the activities carried on in any premises where woodmachining, wood-turning and/or carving in connection with the production of furniture is carried on and further includes the repairing, re-upholstering or repolishing of furniture in or in connection with establishments in which the production of furniture or any operation associated with the final preparation of any articles of furniture for sale, either in whole or in part, is carried on, and the veneering of laminated block-board or plywood doors used for furniture, and all parts of materials used in the con-
uitgesonderd die vervaardiging van artikels wat hoofsaaklik van mandjesgoed, gras en/of rottang gemaakt word en die vervaardiging van metaalmeubels, met inbegrip van metaalkatels.

Posadres van applicant.—Posbus 31, Margate, 4275.

Kantooradres van applicant.—Bainstraat 31, Uvongo, Natal.

Die aandag word gevestig op onderstaande vereistes van artikel 4 van die Wet:

(a) Die mate waarin 'n beswaarmakende werkgewersorganisasie verteenwoordigend is, word ingevolge sub-artikel (4) bepaal volgens die feste soos hulle bestaan het op die datum waarop die aansoek ingediend is, en wat die lidmaatskap betref, word alleen lede wat ingevolge artikel 1 (2) van die Wet op voornemens datum volwaardige lede was, in aanmerking geneem.

(b) Die procedure voorgestryf by subartikel (2) moet gevolg word in verband met 'n beswaar wat ingediend word.

A. J. J. BARNARD,
Assistant-nywerheidsregistrateur.
(12 September 1986)

KENNISGEWING 643 VAN 1986

UITSLAG VAN VOLKSRAADTUSENVERKIESINGS—KIESAFLDINGS CLAREMONT EN PINELANDS

Ooreenkomsstig artikels 108 en 109 van die Kieswet, 1979 (Wet 45 van 1979), word die volgende besonderhede betreffende die verkiesing van lede van die Volksraad vir die kiesafldelings Clarendon en Pinelands gehou op 3 September 1986 hiermee vir algemene inligting gepubliseer:

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(12 September 1986)

NOTICE 643 OF 1986
RESULT OF THE HOUSE OF ASSEMBLY BY-ELECTIONS.—ELECTORAL DIVISIONS OF CLAREMONT AND PINELANDS

In accordance with sections 108 and 109 of the Electoral Act, 1979 (Act 45 of 1979), the following particulars relating to the election of members of the House of Assembly for the Electoral Divisions of Clarendon and Pinelands held on 3 September 1986 are hereby published for general information:

(12 September 1986)
Tiny island supplies timber needs

A TINY island in the middle of a scenic southern Cape lagoon is home to Africa's biggest plywood and blockboard factory. Significantly, it is the Barlow Group, has spent six months setting up the factory on Thesen's Island in the Knysna lagoon. By consolidating four factories into one, it has created an operation able to supply all SA's plywood and blockboard needs.

MD Lew Behr said, "We will also be in a position to replace almost all imports of boards, plywood and veneer."

Heavy rains, among other factors, have delayed completion of the factory and Behr said the move had disrupted supplies. "We have been having difficulty meeting demand but that period is almost behind us," he added.
Manufacturing - Wood & Cork

1987
Mine strikes cut timber demand
Sales cutback hits HLH profit

From LINDA ENSOR

JOHANNESBURG — The miner’s strike had a dramatic impact on the sales of timber group, Hunt Leuchars & Hepburn Holdings (HLH), in the six months to September with turnover lagging inflation by only rising 11,2% to R138,5m (R124,6m).

CE Neil Morris said that for the months of August and September sales of timber to the mining industry — which constitute about 60% of the group’s total sales — were severely cut. The mines took some time after the two-week strike, he said, to get full production going.

Having to cover fixed overheads, the real decline in sales resulted in margins dropping from 17,4% to 16,4%.

Borrowing

This plus a hefty increase in interest paid from R883,000 to R3,1m — due to the higher level of external borrowing by the group’s operating timber company — also hit pre-tax profits which dropped by 8,2% to R19,7m (R20,7m).

However, attributable earnings rose 21,8% to R16m (R13,3m) on account of a sharp dive in the tax rate from 30,7% to 10,8%.

This was due to development allowances for timber planting as well as higher dividends received by HLH.

Earnings per share — including the share of the retained earnings of HLH’s operating company — rose 20% to 21,6c (18c) and excluding this amount from 9,1c to 10,7c.

An interim dividend of 8c (6,5c) was declared.

Cash

HLH presently has cash resources of R65m for future investment. Its directors believe the second half of the year will continue to show an improvement.

Huntcor which derives its income from subsidiary HLH declared an interim dividend of 16,25c per share (13,25c) for the half year to September.

Earnings per share of 42,7c (35,4c) were notched but excluding Huntcor’s R2,5m share of the net income retained by HLH, this dropped to 21,2c (17,8c).

Huntcor’s attributable income rose 21,3% to R6,4m (R5,3m), benefitting from a dramatic cut in the tax rate from 23,3% to 1,8%.

Huntcor’s share of HLH’s retained earnings climbed 25% to R3,2m (R2,6m).
Timber men complain of big squeeze

CORPORATION-OWNED timber companies are deliberately squeezing the independent opposition out of business, it is claimed.

Sappi, Mondi and other timber-processors are depressing prices to such an extent that private timber-growers are having to sell their forests — to the processors themselves.

The accusation is made by the 1 800-member SA Timber Growers' Association (Satga), but is denied by the Forest Owners' Association (FOA), which represents the processors.

FOA members control about 75% of the country's private-sector forests and 81% of pine plantations.

According to Satga, processing companies have bought an additional 4% of private-sector forests in the past three years from independent growers. Calling it a "disturbing trend", Satga chairman Werner Weber says more individually owned plantations are in danger of going the same way.

The FOA has more than 30 members, many of them in the Anglo American and Groote Group. Satga claims that because FOA members both own forests and process timber, it is in their interests to create a near-monopoly. Thus they are doing by holding down prices to timber suppliers, even at the cost of reducing their own forests' profitability.

Satga claims price increases have been below the inflation rate for several years, while costs have increased to the point where many growers are making losses.

It says processors are using short-term market conditions to set prices, when a long-term approach is necessary in an industry where it takes up to 15 years for plantations to grow.

Satga says a study has shown that because of the financial squeeze, many farmers and labourers are leaving the land, and development of new pine plantations has been impeded.

It adds: "The monopoly control of giant corporates, such as Anglo and Gencor, over the private timber industry is escalating, with no evident offset through increased efficiency."

The FOA denies its members are trying to 'destroy the independent opposition'.

Director Mike Edwards says the

Timber growers claim 'squeeze'

processors welcome competition to their own plantations and do not seek a monopoly. In some cases, he says, FOA members have gone into partnership with independents, rather than buy them out.

He says: "The strategic objective is not to remove small growers but to ensure a continuing source of raw materials."

He admits processors are not paying forest-owners what they need for their timber, but says this will continue as long as timber is in oversupply.

"I agree prices sometimes haven't been what we would like them to be, but you have to consider the ultimate market. If the cost of the raw material becomes prohibitive, the processors will be priced out of the market."

"We admit growers haven't been able to recover cost increases. Had they done so, our competitiveness would have been eroded."

To Page 2

From Page 1
Timber growers: we are being squeezed

JOHANNESBURG — Corporation-owned timber companies are deliberately squeezing the independent opposition out of business, it is claimed.

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Calling it a "disturbing trend," SATGA chairman, Mr Werner Weber, says more individually owned plantations are in danger of going the same way.

The FOA has over 30 members, many of them in the Anglo American and Gencor groups.

SATGA claims that because FOA members both own forests and process timber, it is in their interests to create a near-monopoly. This they are doing by holding down prices to timber suppliers, even at the cost of reducing their own forests' profitability.

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SATGA says a study has shown that because of the financial squeeze, many farmers and labourers are leaving the land and development of new pine plantations has been impeded.

It adds "The monopoly control of giant corporations such as Anglo and Gencor over the private timber industry is escalating, with no evident offset through increased efficiency."

The FOA strongly denies its members are trying to destroy the independent opposition.

Director Mr Mike Edwards says the processors "welcome competition" to their own plantations and do not seek a monopoly. In some cases, he says, FOA members have gone into partnership with independents rather than buy them out.

He says "The strategic objective is not to remove small growers but to ensure a continuing source of raw materials."

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"We admit growers haven't been able to recover cost increases if they have, so, our competitiveness would have been eroded."

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Squeeze on independents in timber industry denied

EAST LONDON — A claim by the South African Timber Growers' Association (Satga) that corporation-owned timber companies were squeezing independent opposition out of business "was not major news in this part of the world," Mr. Slutterheim said yesterday.

Mr. John Rance, said yesterday:

"We supply a completely different market and are not directly affected by the so-called attempt by the corporation-owned timber companies to push us out of the market,"

Mr. Rance said there was an element of truth and nonsense in the Satga statement by the Forest Owners' Association (FOA) — which represented the processors — that the big corporations were depressing prices to such an extent that private timber-growers were having to sell their forests to the processors.

"FOA and Satga have formed a federation," the Federation of the Timber Growers' Association, so it is illogical that one should try to oust the other," Mr. Rance said.

The FOA has denied that its members are trying to destroy the independent opposition.

Its director, Mr. Mike Edwards, said the processors welcomed competition to their own plantations and did not seek a monopoly.

In some cases, he said, FOA members had gone into partnership with independents rather than buy them out — DDR.
Kuils River workers on strike

Staff Reporter

Almost 300 Cosatu-affiliated workers at the Boland Wood Industries factory in Kuils River have not worked since Wednesday afternoon, in support of wage demands, a union organizer said yesterday.

Ms Geraldine Kennedy, a branch organizer of the Paper, Wood and Allied Workers' Union, said the union had sent management a letter requesting a meeting on Wednesday afternoon, but management had responded that wage demands would not be discussed before an interim recognition agreement had been made final.

Mr JF Hattingh, administrative manager of the firm, said the employees had been striking illegally since 2pm on Wednesday. It was presumed this was "in connection with wage increases".

Ms Kennedy said: "The basic minimum wage at that factory is R78 a fortnight. The union said the workers are demanding a 50% wage adjustment from August 1 this year."

There were about 300 workers at the factory, 280 of them union members, she said.

In July this year the workers had received a wage increase of R3 each a fortnight, but they regarded this merely as recompense for a R3 wage reduction two years previously, Ms Kennedy said.
Knotty problem

Following huge rate increases in timber insurance costs by the local market, the South African Timber Growers' Association (Satga) has decided to go it alone.

Expects director Bruce Ferguson: "Our members used Alliance Insurance until it withdrew from the market last year. Because rates, as charged by the Growing Timber Pool, administered by the SA Insurance Association (Saias), are as much as 300%. Its premium for pine, for example, under a no-claims bonus, were upped to 4.5% of the sum insured with a 10% excess or R 6 000 whichever is greater. Additional cover for "removal of stock debris" costs 0.5% of the sum insured.

Needless to say, though the pool tried to garner some of Satga's ex-Alliance business, it was to little avail. "Their rates were too high," says Ferguson, "and some of their terms and conditions were less favourable than our previous arrangements."

Comments Rodney Schneeberger, CE of Saias. "This is not the only business written by the pool, but it is a material development. We did have negotiations with Satga, but nothing came of them."

The doors are not entirely closed, he adds.

One bargaining chip the pool could play is that it can offer political riot cover from the SA Special Risks Insurance Association (Sasria), unlike Satga.

"They feel they can transact business at lower rates than we can," says Schneeberger. "We concede we never intended to be a competitive body. But they don't realize that this business is largely prone to catastrophe losses."

The irony is that the pool was originally set up precisely for Satga members in 1969 because of its difficulties in obtaining cover in conventional markets. "We welcomed its formation," says Ferguson, "but we never placed all our business with the pool even then. Members used Lloyd's of London and Alliance as well."

[Other text appears, but it is not legible due to the condition of the image.]
Everite bids R65m for T & N division

JOHANNESBURG. — Everite Limited is to acquire the building products division of Turner and Newall Holdings Ltd (T & N) for R65m.

T & N would be issued ordinary shares in lieu of cash, representing 25% of Everite’s enlarged capital.

A holding company, Everite Holdings Limited (Evhold) is to be formed, which after the issue of shares to T & N, would hold 56.2% of Everite’s ordinary issued share capital.

Everite would seek the approval of shareholders to form Evhold by way of a three-for-one capitalization issue of additional ordinary shares out of non-distributable reserves. The three additional shares would be exchanged for one Evhold share. Thus, 25% of ordinary shareholder’s investment would be in Everite Ltd and 75% in Evhold. — Sapa.
A factory run by the staff for the staff.
Lion Match ups div 14.8%

THE Lion Match group is to concentrate its activities in the medium term on development and expansion of its four operating divisions, and does not expect to diversify outside these main areas of its business.

Chairman M R A McElligott outlines strategy in the company's annual report after the 1986 results fell short of the group's long-term goal of generating increasing dividends in real terms and cover of not less than two times earnings.

Group operating profit on average net assets rose by 5% in 1986, earnings by 15.6% and dividends by 14.8%.

McElligott says the programme for the year ahead includes extending local manufacturing capacity, modernising match machinery, upgrading other plant, and implementing improved planned-maintenance systems, while balancing these efforts with production requirements.

"Taking account of capital expenditure requirements and a further increase in working capital," McElligott notes Dividend cover was 1.87 times in 1986.

Expected fiscal stimulation of the economy this year and increases in remuneration for public servants should enable the group to achieve a further increase in earnings this year.

Positive features in 1986 included the rise in export earnings, assisted by the weak rand, restocking by industry and retailers, and increased capacity utilisation in industry.

While turnover rose by 27.5%, operating profit increased by 18.1%, due mainly to an increased contribution to group turnover from products with profit margins that are normally lower than average.

At three of the group's manufacturing locations, unsettled labour conditions, mainly in the first half of the year, caused production slow-downs and interruptions that hit unit costs.

McElligott says areas of concern arising from the collective-bargaining process, which must continue to receive careful attention on both sides, are the apparent inability or unwillingness of union officials to control or discipline their members and adherence to agreed procedures.

He also criticises the impatience of some groups of members during negotiations.

Lion Match shares are on an historic dividend yield of 4.4% at the current price of R12. They appear fair value at the current price after rising from below a year ago.
Sawmills pay strike enters fourth day

Labour Reporter

STRIKES at two Bruply plants in the Western Cape have entered their fourth day as wage negotiations remain in deadlock.

About 300 members of the Paper, Wood and Allied Workers' Union at Bruply sawmills in Elgin and Stellenbosch went on strike on Monday in support of pay demand.

The management and the union met on Tuesday but no agreement was reached.

A union spokesman said the union had lowered its pay demands closer to the 31c an hour the company was offering.

The company is demanding that the workers return to work before negotiations continue.
WORKERS at two sawmills in Stellenbosch and Elgin resumed their strike yesterday after renewed wage talks between management and the Paper Wood and Allied Workers' Union (Pwawu) broke down. About 300 workers at the two Brupy plants downed tools for three days last week, but returned to work on Thursday in the hope of settlement during negotiations on Friday.
## YORKCOR

### Credibility gap

**Activist:** An investment and controlling company with interests in timber, building materials and reality. Core business is sawmilling.

**Control:** Tucker family companies own 80% of the equity.

**Chairman:** S Tucker

**Capital structure:** 896,000 ords of 50c.

**Market capitalisation:** 5.6m

**Share market:** Price 822c, 12-month high, 625c, low, 500c Trading volume last quarter, 4,000 shares.

**Financial:** Year to December 31

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### Performance:

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<tr>
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<td>Pre-tax profit (Rm)</td>
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<td>Earnings (c)</td>
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<tr>
<td>Dividends (c)</td>
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<tr>
<td>Net worth (c)</td>
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<td>1,564</td>
<td>1,877</td>
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Yorkcor shows an alarming gap between good intentions and performance. And for the investor wondering what to expect next, part of the problem with the erratic pattern must lie in chairman Solly Tucker's predictions. Last year, Tucker forecast total earnings of 125c and a dividend of about 40c, basing his optimism on a perceived turnaround in the Pretoria manufacturing division.

Instead, Yorkcor's first half-year turned out to be the worst in its history, and despite the sharp turnaround in the second half, shareholders were left with a loss per share over the year of 89.8c and no dividend. Also, Pretoria remained the group's Achilles heel, where continued under-utilisation of capacity resulted in heavy losses, increasing from R929 000 in 1985 to R17,7m.

In general, the lumber milling industry is passing through traumatic times, evidenced by a 28% fall in softwood timber sales in the first half of last year, and a 40% fall in structural timber sales. Tucker says that the impact of this contraction was worsened by "a serious deterioration in the industry's sales mix, with sales at the cheaper end predominating.

In its second half-year, Yorkcor launched a recovery strategy styled "Operation Quantum Leap," aimed "not merely at recovery but enduring success" Analysts have become wary of extravagant promises, but this time at least Tucker delivered a good financial report. Yorkcor surprised many by reporting a second-half earnings a share of 93.9c, after first-half losses of 183.7c.

The export thrust began paying off when Yorkcor clinched overseas business worth R2.5m. Executive changes, general belt tightening and rationalisation accounted for much of the latter half improvement, Tucker claims.

Sales by Yorkcor's sawmilling division rose 49% in the second half compared with 1985. The division shifted its focus from volume to value, says Tucker, and made "significant" gains to the value-added component of its operation. The contribution from sawmilling increased from R511 500 to R2,18m, in the latter half-year.

While conditions remain tough in the industry, Tucker apparently feels the group has done enough to remain comfortably in the black this year. He predicts earnings for 1987 at 100c a share and dividends of about 30c. However, Tucker's less than outstanding reputation for meeting its forecasts may place some restraints on the recovery prospects for the share.

### RESULTS AND DIVIDENDS

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<td>Pretax profit Rm</td>
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<td>2</td>
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### Dividends

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<tr>
<td>Engineering</td>
<td>R100.00</td>
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### Notes

- *P* Preliminary
- *F* Final
- *I* Interim
- *C* Not comparable
- *A* Annual
- *D* Dividend
- *P* Dividend paid
- *M* Interim dividend
- *I* Interim

*June Arbous*
SA lags behind with timber-frame houses

TIMBER-FRAME construction has long been part of the home-building scene in a number of countries abroad. In SA, however, the use of this method has been limited.

In spite of efforts to expand the use of timber in wall and floor construction, conventional brick building is still the dominant method.

A recent survey by the National Timber Research Institute (NTRI) of the CSIR shows that only a few builders have tried their hand at timber-frame construction, and that municipalities, housing-finance organisations and house-insurance companies have little experience or knowledge of the concept.

The researchers say since the national building regulations came into effect in September 1985 it should have become easier to have plans passed for timber-frame houses. Yet 21% of the municipalities surveyed did not allow these structures.

They generally felt timber-frame housing was pricing itself out of the market.

The NTRI responds by saying that timber-frame houses can be erected in half the time it takes to build a brick-and-mortar house. Builders appear to be charging about 12% more for timber-frame. But it is foreseen that, once this type of construction is accepted in SA, builders will benefit from the speed with which they can be erected and will pass financial benefits on to buyers.

Of the financial institutions surveyed, only one was unwilling to finance the building of timber-frame houses. The reason given was the high demand for funds to build conventional brick houses.

JANE STRACHAN

Insurance premiums differed from institution to institution. Some premiums quoted to the NTRI were 66% higher than for brick dwellings.

Looking at some other countries, it emerges that in North America, Japan, New Zealand and Scandinavia the domestic building industry is dominated by timber-frame construction, with more than 80% using this method. In Australia about 90% of houses have timber frames.

Comparing timber-frame to brick-and-mortar construction, the NTRI detects numerous differences.

- Setting out: No setting out of foundations is needed for interior walls in timber frame as they are non-load-bearing and light.
- Walls: Timber frames can be standardised and manufactured in a factory. Erection, bracing and cladding is done quickly and, once the exterior walls and roof are erected, interior walls can be built in without weather influencing interior construction.
- Bricks: If bricks are used for cladding exterior walls, face bricks are used in a single layer, reducing the number of bricks used to about 60% of that of brick construction.
- Plastering: Plastering is not usually needed on the exterior and the interior frames are clad with board.
- Labour: Timber frame construction can reduce the trades needed to carpentry only, with wall construction carried out in a factory.
- Construction time: A timber-frame house can be completed in six to eight weeks, while a brick house normally takes about 16 to 18 weeks.
British television gives a new view of South Africa

LONDON — In a rare television programme screened in London last night, British viewers saw another picture of South African politics — that not all blacks support the ANC, many do not want sanctions and there are fears about what majority rule could bring to the country.

The documentary was shown on Channel 4’s prime time “Diverse Reports” series, which deals with current affairs throughout the world.

Presenter Christine Chapman, who went to South Africa to make the programme, said: “The Western view of South African politics is a simple morality play: a majority of stubborn whites pitted against a minority of downtrodden blacks. The heroes and villains, backed by sanctions and disinvestment, are not only naive but also destructive.”

Detailing the different ethnic groups making up South African society, she outlined the cultural and language differences and said: “This multi-cultural society has never been happy with simple political solutions.”

In a series of interviews, blacks who were not identified said the ANC did not represent majority views in South Africa and declared they were opposed to sanctions.

Minister of National Education Dr Gerrit Viljoen, said in an interview: “The people of government are the very people who are unlikely to respond positively to the exertion of force applied on them from the outside world.”

“And their constituency is such that it would not allow them to do so even if they wanted to. The white South Africans, particularly the Afrikaners, do not like to be bullied into situations.”

He said white South Africans could not withdraw into “some sort of former fatherland” as whites in other African countries had been able to do.

Of the future, he said: “We have to bring about real and meaningful power-sharing, but at the same time retain the position where we also have a meaningful influence over the whole set-up.”

The programme dealt with a South African future under a federal system, and kwaZulu leader Chief Mangosuthu Buthelezi said that if the Natal-kwaZulu Inzala worked it could set a model for the whole country.

The programme included street interviews with white South Africans who said they had nowhere else to go and had no plans to leave the country — Sapa.
Timber growers have long felt that they have been generally under-compensated by buyers, particularly if rapid rises in rail tariffs are taken into account. The upshot has been that new afforestation programmes have lagged behind what many believe to be the level needed to provide SA’s future timber needs. Current afforestation is running at around 19 000 ha a year, against an estimated minimum requirement of 39 000 ha a year.

At the price talks in October last year, growers managed to extract average price increases of around 15% for hardwoods—an increase they considered reasonable—but they were decidedly unhappy with increases of 10% and below offered for pine sawlogs and pulpwood.

Judging from the sentiment at the SA Timber Growers’ Association (Satga) congress in Maritzburg recently, they are clearly hoping to do better this year although softwood remains in surplus. Supply and demand is in better balance in the hardwood sector.

Satga director Bruce Ferguson says there is no question that buyers are in a better position to pay higher timber prices, both for local and export markets. Of the forthcoming price negotiations he says: “We’re hoping for a more favourable reaction from buyers.”

Generally, industry sources expect hardwood price increases to be inflation-related once again, but they are hoping buyers will not use the argument of surplus supplies to keep softwood increases low. This, they reckon, would be an extremely short-term view as “the price they pay now will determine whether there will be supplies available in the future.”

Meanwhile, growers are attempting to develop an export market for softwood chips in an attempt to mop up some of the softwood surplus. Negotiations are being held with several interested parties abroad, but nothing has yet firmed up. The industry already exports large volumes of hardwood chips to the Far East.

The industry is also investigating two ways of reducing its costs. One is through an exemption of Motor Vehicle Assurance charges, road levies, and GST payable on the petrol it uses in the felling process. Economists believe the exemption could save the industry up to R1m a year.

The other is through a change to a per-truck rather than per-ton tariff for the hauling of timber by rail. It is widely believed that a rationalisation of the tariff structure would be beneficial in the long term. Industry economists point out that rail charges have already risen from around 25% of the delivered price of timber in 1972 to 50% in 1986. So far, talks with Sats on proposed tariff changes have yielded nothing.
Film depicts SA’s return to hostile, frontier life

By Michael Morris, The Star Bureau

LONDON — A new British television film to be screened soon finds white and black nationalists in South Africa ranged defiantly along an old African frontier. They are on opposite sides — the whites speaking of confrontation and splinter blood as the price of preserving the barrier, the blacks of their willingness to die to destroy it.

"Back on the Frontier" to be screened on ITV next Tuesday, records the will and sentiments of a handful of ordinary South Africans and assessments by more prominent figures. Film-maker Mr Francis Gerard — who once lived in South Africa and is the producer of the acclaimed documentary "The White Tribe of Africa" — chose Kirkwood, one of the Eastern Cape’s historic frontier towns, to explore today’s frontier.

The film includes interviews with people living in other parts of the country, facing each other across much the same boundaries. Significantly, it was an Afrikaner featured in the documentary, whose family settled in the Sundays River valley two centuries ago, whose telling comment, "we are back on the frontier," suggested the title of the film.

Mr Gerard traces the history of the initial frontier clashes between white settlers and Xhosa tribesmen, the early colonial conflicts and the construction of white dominance through apartheid.

He returns to present-day Kirkwood to find the old frontier little changed. Mr Andries Hartman says "Our forefathers fought, but it was altogether a different sort of war. I could never dream that things would work out this way. We are back on the frontier." He believes that "you can never bring the two peoples together.

His brother, Tinus, chairman of the local National Party, shares that view. He says "Our ancestors fought years ago in tribal wars, in wars of civilisation against uncivilised peoples, and boundaries were drawn. We want to remain a European white community and we do not want to become part of a community which is not here or there."

His wife, Elna, explains: "We want to use our own Bible and go to our own church and stay what we are." The Hartmans speak of their strong desire to preserve their way of life for their children. Sharing the country with the black majority would be unsatisfactory.

DETAINED

Some kilometres away, in Kirkwood’s black township, Bontrug, the Rev Ngeva, the local Dutch Reformed minister, who was detained for seven months recently without being questioned, warns "Blacks can’t stomach it any longer, especially the younger generation. You see they are prepared even to die, they are prepared to go to prison. Many of them have gone to prison and they come out boasting that they are prepared to go back again, because they value their human dignity, because it is a God-given gift to any person in this world."

Young activists say their imprisonment has strengthened their resolve. One, Mondy Ngonyama, describes the prison cell as the "college of politics, the college of spirit."

Sanlam group chairman Mr Fred du Plessis singles out apartheid’s separation of people as a key factor in the modern frontier. "One should have started (in the past) to increase the area of overlap in value systems (of blacks and whites). But we built on differences and tried to avoid overlap by keeping people apart."

Group identity and minority rights, said Minister of Constitutional Development and Planning Mr Chris Heunis in the film, must be a feature of South Africa’s future political structure and the "upgrading of communities" will mean that "blacks and coloureds and whites will have to be resettled."

Resettlement, he argues, will be to improve the "quality of life" for those affected, and will not be undertaken for racist or political reasons.

For some, though, the frontier is a battle line. Mr Dries Alberts, a follower of the right-wing leader Mr Eugene Terreblanche, says "I will die fighting for the existence of the Afrikaner nation."

Also sensing a looming confrontation, Mr Zwelakhe Snulu, newspaper editor and son of the jailed ANC leader Walter Snulu, admits "The time is not far off when it will be said ‘To hell with newspaper offices — let’s go to the bush.’ That is where this whole battle is going to be decided."

Filmed under emergency regulations, the documentary survived police surveillance, although some rolls of film were stolen and the crew had to be smuggled past the army and police on some occasions.
Hunt Leuchars & Hepburn (HLH) is rebuilding its strength after restructuring which whittled it down to its core timber business. Earnings were boosted by 30% during the six months to end-September, while earnings a share, after an equity adjustment, improved by 27% to 18c.

Having sold off most non-timber interests after an unhappy foray into other areas, the group is now on the look-out for expansion opportunities strictly within the timber industry. With R72m cash (equal to R1,57 a share) and unused borrowing capacity, there certainly is scope for acquisitions.

CE Neil Morris is reserved about future developments. However, he confirms that “appropriate acquisitions will be made when suitable opportunities arise,” and adds that the group will either acquire or start up a new timber processing activity to meet growing international demand for products converted from fibre.

Morris is not too concerned about sanctions. He says the strength of the hardwood industry, high demand for good quality paper, and the possibilities of by-passing sanctions should ensure that HLH will not be materially affected.

Timber pay-off

The decision to focus on timber appears to be paying off. Performance has benefited significantly from an increase in sales of pulpwod and timber residue. These sales, nurtured over the past year by demand from Sappi and Mondi's relatively new pulp mills in the eastern Transvaal and Richard's Bay, are expected to be maintained during the current six months. Sales to the mining industry still account for about 80% of turnover, but demand from this sector is slow.

Loss-makers discontinued but not yet sold continued to haunt the group, resulting in a net loss of R83,000 during the half-year. But comparison with a loss of R288,000 during the previous six months shows that management is containing the burden until it can sell the operations.

Pre-interest margins, which improved significantly over the past four years, maintained their relative strength, while operating margins, which deteriorated slightly during the previous period, were given a small boost by improved productivity.

Pyramid Hunter's share price is still slightly out of line. Rembrandt paid 625c a share when it took control in 1985. Each Hunter is backed by two HLH. So at its current 900c and with HLH at 465c, Hunter is at a discount of 30c.

Although its long-term future remains slightly blurred, there is no doubt that HLH is reaping the fruit of its decision to focus on timber. Management expects it to continue to benefit in line with growing international demand for pulpwod and the long-term recovery in the timber industry.
three practical courses at the higher level in each of Practical Speech and Practical Acting in either English or Afrikaans, and

In paragraph F212, DRM303W Practical Action should read "Practical Acting"

RULES FOR THE M6 DEGREE, PAGE 12, ATTACHMENT PAGE 20

Rule FM3 3 should read

The degree may be awarded with distinction

MANUFACTURING - WOOD - CORK

1987 - 1988
Interest costs stifle Lion earnings

Lion Match showed a 5 percent improvement in net earnings in the year to December, the second interim report shows.

Turnover was up 21.7 percent to R179 million and operating profit rose 26 percent to R19.1 million (R15.2 million)

However, a substantial rise in interest costs because of increased borrowings was responsible for the relatively low increase in net earnings.

Earnings per share were 20.62c (19.84c)

With SA Breweries taking over control last July, the year-end has been changed to March 31 this year.

The directors say that in view of traditionally slower trading conditions for group products in the post-Christmas quarter, the level of earnings for the 15-month financial period to March is likely to be little different from that reported for calendar 1987. — Sapa.
JOHANNESBURG — Lion Match Company showed a 5 per cent improvement in net earnings in the 12 months to December, its second interim report shows.

Turnover was up 21.7 per cent to R179 million and operating profit rose 25 per cent to R191 million (R15.2 million). However, a substantial rise in interest costs because of increased borrowings was mainly responsible for the relatively low increase in net earnings.

Earnings per share during the 12 months under review were 20.82 cents (19.84 cents).

With SA Breweries taking over control of the group in July last year the year end has been changed to March 31 this year. No dividend has been declared for the period under review. A special dividend was declared at the time of the change-over.

Regarding prospects for the current quarter, the directors say that in view of traditionally slower trading conditions for group products in the post-Christmas quarter, the level of earnings for the 15-month financial period to March is likely to be “little different” from that reported for calendar 1987 — Sapa
TIMBER INDUSTRY

Growing pains

Timber processors are barking up the wrong tree if they think independent pine growers are grateful for 1988 price increases. Forest owners say the increases granted by Sappi, Mondi and others are proof of the extent to which growers are at the mercy of processors.

They fear the limited increases will only hasten the rate at which independent growers are going out of business. In most cases, the only buyers for their forests are the processors themselves.

Processors, most of them in the Anglo American and Gencor groups, have increased their buying price for pine pulpwood by 11%-13%, hardwood by 12%-14% and mining timber by an average 16%.

The SA Timber Growers Association (Satga), representing independent forest owners, claims pine growers' costs rose at least 17% last year. It says prices have risen consistently less than costs for several years.

Commercial forest ... are private owners also for the chop?

but their bargaining power is limited because they must sell to the processors.

According to GM Bruce Ferguson, "We had hoped for considerably more than we got this year. We were hoping to at least recover costs, but in fact we're going backwards.

Add that to a backlog of cost increases exceeding prices over the years and independent growers have problems." Producers express sympathy but say prices are governed by what the market for processed timber will bear. They say they can't afford to pay for private growers' costs if it means harming their own bottom line.

Satga argues that because timber is a long-term resource — taking years to grow — producers should take a long-term prospective view.

Hardwood growers are better off than their pine cousins because of a slight market shortage. Pine supply, however, exceeds demand. Forecasts expect the situation to remain out by 1995 and then improve progressively.

But, without "realistic" pricing, Satga maintains, many independent pine growers won't be around by then.

Adding to their resentment is the fact that when independent growers go out of business, the buyers are usually the processors themselves. Members of the Forest Owners Association (FOA) — who include Sappi, Mondi, Sancor, Hunt Lenchars & Hepburn and other major companies — already control 74% of private sector forest plantations, including 81% of pine.

In just over three years, say Satga officials, processors have bought up another 4% of private sector forests. Since 1975, corporation-owned groups have increased their share of private sector plantations from 42% to nearly 75%.

FOA share increasing

The FOA confirms its members' share is increasing but denies there is a deliberate policy of forcing rival owners off the land. Rather, it says, new afforestation is increasing members' share as they plant new forests of their own, so their share of the total rises.

Still unresolved, meanwhile, is the 1988 price for sawlogs. Sawmillers and the Department of Agriculture are nearing agreement on the price for State forest logs. An industry spokesman says the figure depends on whether the increase is retrospective to the beginning of the year. If it is, the increase is likely to be 17% — if not, 19%.  
Sippi to expand its board production

Sapp Novobord is to launch an R70 million expansion project at its Blute River particleboard plant.

The expansion involves the building of two plants, a medium dense fibreboard (MDF) plant and a new particleboard plant. The new plants will use advanced technology to make quality panel in a continuous process, similar to the papermaking process.

Making the announcement, Sappi Timber Industries managing director Kim Jokupi explained that with its increased production Novobord would be able to keep up with local demands as well as expand its current export markets.

"Demand for superior quality MDF for use in the furniture industry is growing fast and there is currently only one supplier in South Africa."

"We anticipate that demand for both MDF and particleboard will continue to increase as the country catches up with the low cost housing backlog."

Mr. Jokupi added that the process that Novobord has purchased from Siempelkamp in Germany is at the leading edge of particleboard technology.

"There are only eight plants in the world using this process at present although some 15 installations have been ordered."

"Sappi has awarded a turnkey contract to Siempelkamp to supply and erect the equipment which is equipped to produce panels with advanced features."

When completed in May next year, the expansion is expected to boost Novobord's current production by some 70 percent and will enable the company to add to its existing product range and make further progress in export markets, it says — Sapa
**Yorkcor**

**Raising sights**

Activities: Sawmilling, prefabricated timber manufacture and distribution

Control: Tucker family companies have control

Chairman: S Tucker

Capital structure: 896,000 orts of 50c each Market capitalisation R5m

Share market: Price 705c Yields 1.4% on dividend, 5.7% on earnings, PE ratio, 17.6, cover, 4.0 12-month high, 715c, low, 650c

Trading volume last quarter, 1,000 shares

**Financials: Year to December 31**

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**Performance**

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<td>Return on cap (%)</td>
<td>7.3</td>
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<tr>
<td>Turnover (Rm)</td>
<td>21.6</td>
<td>20.9</td>
<td>24.2</td>
<td>20.8</td>
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<tr>
<td>Pretax profit (Rm)</td>
<td>18.9</td>
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<td>Pretax margin (%)</td>
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<td>Taxed profit (Rm)</td>
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<td>1,567</td>
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*York Timber* - share price chart

*Yorkcor has returned to profitability after lapsing into losses in 1986. The turnaround came mainly through a strong improvement in sales in the sawmilling business and a sharp reduction in losses in the timber engineering division in Pretoria. Sales by the sawmilling division, which comprise 75% of group turnover, rose 30% to R26.5m and 15% by volume. But sawmilling's contribution to profits rose only 13.5% to R3.1m (R2.7m) so margins failed to hold at last year's level.*

Agentimber, the separately run timber agency, had a poor year. Sales fell by 7.8%, and profits dipped 62.5% to R63,000 (R168,000). The timber engineering division made losses for the second year in succession, though the 1986 loss was less than halved to R0.6m. So the group is still not firing on all cylinders.

Assuming the domestic economy continues to grow, chairman Solly Tucker forecasts earnings will exceed 125c a share and he expects to pay a dividend of 35c. Though Tucker's forecasts have been proved wrong more than once in the past, the latest prediction appears attainable.

Still, the company has never earned more than 93c a share in the past. Its chief problem has been an inability to maintain a large enough operating margin to adequately cover the net interest bill. Borrowings have continued to rise and, at December 31, interest and leasing cover was only 1.4 times. Rising interest rates could offset an operation improvement.

At 705c, the share stands on a p/e of 17.5 times and looks expensive on historic performance. Achievement of the forecast would reduce the p/e to 5.6 times and lift the dividend yield to 5%, but at this stage it is a moot point whether margins and earnings will rise to required levels.*

Dave Edwards*
Failure to insure costs
Yorkcor R1,1 million

During the 80's, Yorkcor's JSE market price share has consistently been less than half of its net asset value. The directors control 63.3 percent of the share capital which leads one to wonder why the company ever sought a JSE listing in the first place.

Perhaps it was the attraction of the limelight but that also meant the company's annual results would be on show for all to see. Yorkcor's 1987 annual report reveals that a decision not to insure its frame saws resulted in a litigation claim for compensation of more than R1 million.

With significant tax losses available, the group has employed an extremely low tax charge in its income statement - 1987 R30,000 (1986 R27,000 and 1985 R34,000). This has helped boost the bottom line and minimise losses.

With effect from January 1, 1987, Yorkcor has changed the basis of accounting for leased assets. Henceforth the leased assets are capitalised and depreciated over their useful life. The amount of depreciation is shown as a liability and reduced by periodic payments which previously were expensed.

During 1987 R500,000 of financial losses were capitalised on this basis with little effect on the bottom line. Exports of sawn timber increased and according to chairman Mr. Sony Tucker, overseas customers are looking for more. For political reasons no amounts are disclosed but only the regions - Far East, Middle East, the Indian Ocean, Ireland and Europe.

After a dreadful 1986 the group posted a modest profit in 1987. Turnover increased to R23.6 million (1986 R21.4 million). Interest expense was virtually unchanged at R91,000 (1986 R92,000). Earnings attributable to Yorkcor's shareholders totalled R50,000 (1986 loss R6,000).

Below the line R30,000 extraordinary losses, mainly from discontinued operations, reduced net income to R54,000. Earnings per share were 94.2 cents (1986 negative 89.9 cents). A dividend of 10 cents was paid (1986 nil).

While shareholders might be happy with a return to profitability they have little reason to celebrate. In 1986 turnover of only R20.9 million produced a bottom line of R303,000, earnings per share of 33.6 cents and a dividend of 15 cents.

Mr. Tucker seems to agree when he says, "We are doing better against a moving target but not nearly well enough".

The sawmilling division increased gross sales (before inter company sales) by 99 percent to R26.5 million (1986 R20.4 million) with a contribution of R3.6 million (1986 R2.6 million) to group profits before interest, tax and head office charges.

Nicholson and Mullen, for many years the money-spinning flagship, was unable to entirely wipe out the operating losses sustained at half year stage. The breakdown of two major frame saws is cited as the reason. The company has lodged a claim for R12.3 million on the independent contractor but the outcome of this litigation is not expected to be known for some time.

Unfortunately, Yorkcor had decided not to insure against such risks as "it was not good sense to pay the punitive premium for such cover" says Mr. Tucker, who must surely now question the wisdom of such a decision.

The timber engineering division in Pretoria has had reduced sales of R8.1 million (1986 R8.5 million) but reduced losses to only R6.0 million (1985 R7.6 million). The timber retail and wholesale operations in Pretoria, the trunk plant and retail timber outlet in Honeydew near Johannesburg have all been sold or closed.

The marketing of timber produced by other saw mills is conducted under the Agtmann timber division. Where sales fell to R3.2 million (1986 R6.1 million) with the contribution to group profits down to only R2.9 million (1986 R3.4 million). Bad debts dented the results despite the increase in cost and cover of credit insurance. Head office costs and administration increased 15 percent to R1.6 million (1986 R1.2 million).

Shareholders' funds at end December 1987 remain virtually unchanged at R13.7 million (1986 R13.8 million). This amount includes non distributable reserves - mainly revaluation of fixed assets - of R7.6 million (1986 R6.4 million). Total debt has increased to R10.5 million (1986 R7.5 million). Working capital has improved to R5.0 million (1986 R3.4 million) mainly from the increased debt channelled into its funds.

Among the assets remain the R2.1 million (1986 R2.1 million) interest free claim due by a company controlled by the directors of Yorkor which will be paid in five equal annual instalments starting on December 1994.

Since this loan claim is interest free, is the full interest expense of nearly R1 million incurred by Yorkcor permitted for tax purposes? In my judgment, the Receivers would be justified in allowing only a proportion. Tax losses available have increased to R3.4 million (1986 R2.3 million).

Despite putting a brave front, Yorkcor is battling against the recession. Total sales of R23.5 million produced a pitiful bottom line of only 1.13 percent. Profit margins, as well as the mark-ups on local and export sales, should be reviewed.

The Timber Marketing Agreement (TMA) on the advice of the Competition Board will continue until end December 1988. As Mr. Tucker says, "Fundamental changes are afoot in the operation of the TMA". Just how competitive this will make the timber industry remains uncertain.

Given that has left forecast fairly real short of reaching the overall forecasts. Mr. Tucker now says "What calls will be dealt in 1989. Earnings of 125 cents and a dividend of 15 cents is the new year forecast. Let's hope Mr. Tucker is a good shaver and that these forecasts are more accurate than those of the past as he has the reputation of not being able to deliver the goods. This is possibly the case of the company's continued poor rating on the JSE".
Rembrandt Group is slow to intervene in the affairs of its business partners, but this week it reshuffled management at Lifegro for the second time.

Having replaced Desmond Kream as chairman 18 months ago, Rembrandt has now dispatched the managing director and marketing director of Lifegro.

- Tony Laubach, the managing director, has been shuffled back to Volkskas, whence he came. Marketing director, Chris Cummingham-Moor, has been given other, undefined responsibilities.

Homelands

Lifegro's new managing director is Bignault Gouws, also managing director of Momentum Life, another small life office in the Rembrandt empire. He is the brother of Rudolph Gouws, chief economist of Rand Merchant Bank.

Volkskas joint managing director Danie Cronje has been appointed deputy chairman ahead of the impending retirement of Dr M D Marais.

Sources in Pretoria say Rembrandt was unhappy with Lifegro's involvement in Fenton investment schemes, which backfired and cost the company millions. It also disapproved of other controversial types of business, such as investment in homeland tax havens. Rembrandt declined to discuss the matter.

Too early

Quite out of character with other life insurers which have lifted earnings by 20%, Lifegro has announced stagnant profits in spite of good investment results. The share price has underperformed the market since going on the JSE in March 1985 when there was controversy over the listing.

After listing the share was 40c. In 18 months it slumped to 30c before recovering on good results to 45c in March 1989. The price has subsequently slumped to a low of 20c.

Mr Gouws says it is too early to claim what changes he will make.

Rand Mines dips

RAND Mines came through a difficult half-year to March to show an 18% drop in attributable profits to R58.4-million from R63.3-million in the first half of the previous year.

This is equivalent to earnings of 61c a share compared with 76c. In spite of the drop in profits, the interim dividend has been maintained at 16c.

The fall in earnings comes as no surprise to the market, which is aware of the difficulties that confronted the group. They included tonnage, cost, and grade problems at Harmony, which forced the mine to pass its interim dividend. In the previous year Harmony's interim brought R6.3-million to Rand Mines.

Witbank Colliery experienced a decline in profits in the half-year, mainly as a result of increased rail tariffs and a 7% increase in the value of the rand.

A continued weak property market limited the contribution from the property division of subsidiary Rand Mines Properties (RMP). It was, however, offset by improved results from the sand treatment operations of RMP.
Rembrandt takes first step in regrouping

HLH makes attractive offer for Bonuskor

Magnus Heystek
Finance Editor

The first step in the rationalisation and regrouping of the massive Rembrandt Group was taken yesterday when Hunt Leuchars and Hunt (HLH) announced a very attractive offer to minority shareholders in Bonuskor.

The offer is bound to be accepted and Bonuskor will most probably be delisted.

Rembrandt is the ultimate controlling shareholder of both groups.

The Rembrandt Group is in the process of a major restructuring and regrouping of its widespread interests in South Africa as well as overseas. More announcements are expected soon.

HLH is making an offer to acquire the entire shareholding of Bonuskor through a scheme of arrangement with shareholders. In terms of the offer HLH will issue 186 shares for every 100 Bonuskor shares held. This puts a value of R4.65 on each HLH share and a value of R8.65 on Bonuskor shares which were at R5.40 when the cautionary announcement was made last month.

Bonuskor was trading at R7 a share yesterday while HLH was at R4.55.

Bonuskor shareholders are also being given the option to swap all their HLH shares for Huntcor shares on the basis of one Huntcor share for every two HLH shares. This offer is unlikely to be taken up as Huntcor is trading at a discount to HLH. Theoretically Huntcor, which closed at R8 last night, should be trading at twice the ruling price of R4.55 for HLH.

Commenting on the developments, HLH's Chief Executive, Neil Morris, said: "Present shareholders of HLH and Bonuskor will benefit from the transaction. Looking at it from Bonuskor's shareholders' point of view, the softwood timber interests will have access to the extensive experience HLH has built up over its long involvement in the timber industry, an attractive premium for its share and a company with a considerably enlarged base of shareholders' funds with virtually no borrowings."

For HLH's shareholders there is an immediate positive impact on earnings, productive use of the considerable cash resources at its disposal, and involvement in attractive new market segments which will help to balance the dependence on the mining timber market."

Sales to the mining industry accounts for roughly 60 percent of total turnover. This dependency has in recent years made the company vulnerable, particular during last year's general mining strike, resulting in a drag on turnover and earnings growth.

Along with the widespread timber interests of Bonuskor, HLH will be entering the food market. Bonuskor is the sole shareholder in Transvaal Suikerkorporasie (TSB), a major producer of sugar in the Eastern Transvaal, as well as Consolidated Grocery Products, owning among others, the Robertson's spice trade marks.

This diversification should enhance HLH performance which has tended to be fairly undramatic in recent years.

Turning to the new HLH he says: "The company will certainly be very different. Total assets will be in excess of R600 million with attributable earnings above R30 million. In addition, the company, with little or no gearing, will be able to support substantial growth in its activities."
Lion Match has reported that profit for the 15 months to the end of March was only up 17.3 percent on the previous financial year. The company states the main reason for the fairly slow rate of growth was the fact the period included two Christmas seasons, traditionally slow, and the fact that a poor performance from Interpako detracted from a good performance by other divisions. Interpako is in the process of being modernised.

Attributable earnings for the fifteen months were R11.2 million compared with R9.2 million in the preceding 12 months while earnings per share were 23.4c compared with 22.1c. A dividend of 35 cents has been declared — Sapa.
Mondi invests R10-m in pulping plant

A R10 million investment in a hydropulping plant at Mondi's Richards Bay pulp and board mill will increase capacity by 20 000 to 50 000 tons a year, a rise of about 10 percent.

Construction began in January and work is on track to commission the two hydropulping lines in October. The plant is the paper industry's first fully automatic hydropulping installation.

Dr Per Haugen, Mondi Richards Bay general manager, says the plant will enable the company to recycle waste paper and local or imported pulp, as well as pulp waste and rejects generated by the mill in normal operations.

Another feature is that the hydropulper will enable the company to use the wood fibres reclaimed from the effluent waste disposal system.

The project allows for the future installation of a third hydropulping line, also with a capacity of 200 tons a day, but capable of processing lower grades of waste.

Local content by value will be about 80 percent.

Civil contractors are Murray & Roberts Natal and Babcock Engineering Contractors.
Highly profitable Ngodwana delivers the goods for Sappi

In spite of traumatic events in 1987, Sappi achieved record attributable profits in excess of R200 million.

The superb bottom line in 1987 was more than the aggregate of the previous four years.

Rising world prices for its products and improved profitability at almost all of its operating units were the reasons, says chairman Mr. Tom de Beer.

During September, devastat...
Interboard's turnover boosted 79% 

JOHANNESBURG. An increase of 79% in both turnover and net income are reflected in the results for Interboard for the 12 months to end-February.

Turnover improved from R53.2m to R95.4m while net income was up from R8m to R14.3m.

Earnings a share before extraordinary items rose 32% to 9.98c (7.57c) and the final dividend is 3c (4c) to give a total of 6c (4c).

Shareholders interest rose from R55.4m to R132.9m. Net asset value a share doubled from 43.5c to 87c — assets at historical cost.

The building materials manufacturing division, Buildcor, was listed separately on the main board of the Johannesburg Stock Exchange in November last year and Interboard holds 80% of the shares.

During the year, the flatboard interests were expanded by the acquisition of Interboard Swaziland which provided Interboard with a 60% increase in its particle board manufacturing capacity.

The directors note that some of the major manufacturing units have been operating for less than 12 months and contributed "minimal returns".

Since the year end, the directors report that Interboard has formed a new division, Fasterect, which manufactures components for the home and prefabricated housing industries. — Sapa

Tony Cilliers has been appointed a director of Interoffice Designs.

Jos le Roux has been appointed as KWV's manager of public relations.

Bill Cooper-Williams has been appointed as manager of the KWV Wine Centre in Johannesburg.
MONDI PAPER CO is to spend R170m over the next two years in a programme to increase production capacity and upgrade quality within its board mills division.

The expenditure is over and above the group's normal capital requirements.

The programme aims to meet the increasing demand for board products in the packaging, printing and stationery industries.

Further upgrading and expansions will be considered in future phases.

Mondi CEO Tony Trahar says that the capital expenditure includes R154m for the rebuilding and doubling of capacity of the No 6 board machine at Mondi's Springs plant. This is expected to be completed by the end of 1999.

The rebuilt machine will produce a high quality range of boards and will have a capacity of 81 000 tons a year with the potential to be expanded further to 100 000 tons a year.

"Over the past 18 months demand for folding boxboard has increased considerably because of the trend towards import replacement and general growth in manufacturing industries that use board to package their products," says Trahar.

Mondi has also allocated R12m to general upgrading at the Springs board mill, including quality control in the water effluent and stock cleaning systems and the installation of waste paper processing and collection plants.

About R5m is being spent on effluent disposal at the group's fluting mill at Felixton in northern Natal and boiler improvements worth R3m have been carried out at the Bellville mill in the Cape.

"This is a major investment decision which reflects the shareholder's confidence in Mondi."

"To finance this expansion and Mondi's ongoing fixed asset replacement programme, shareholders have undertaken to inject new equity of R126.5m."

"The balance of the funds required will be provided from Mondi's internal resources and banking facilities."

"Mondi is committed to providing cost-effective alternatives to imported products and to the development of new product grades."
New policy pays off at Plate Glass

By Sven Forsman

Profits in the Plate Glass glass division were up a healthy 25 percent the past year, but they were depressed to a degree by a policy decision to withdraw from major contracting activities both in and outside South African, joint executive chairman Bertie and Ronne Lubner say in the annual report.

They say the costs of this decision, which will continue to be incurred during the 1988/89 financial year, have already been fully provided for.

"The year under review saw further emphasis placed on getting close to the end market and most of the developments which took place centre around this strategy.

"In particular, both in Europe and North America, moves have been, and are being made, which will reinforce our position in consumer markets.

"The export of manufactured and processed products from South Africa is a most important component of our profitability and we must accept that this portion of turnover is sensitive to currency fluctuations and to the threat of sanctions."

Turning to the wood division, the Lubners say the synergistic benefits arising from the PG-Bison merger and the emphasis on effective utilisation of resources allowed this operation to take full advantage of the strong demand in both the domestic and export market which it serves.

"The expected economic downturn in international markets has not yet proved as severe as originally anticipated and results should therefore show satisfactory growth in the coming year.

"The Lubners says geographic diversification is a means of spreading risk, but its success depends on the ability to manage the process effectively.

"It is our philosophy to concentrate exclusively on glass and wood-related products where the group has proven skills, and to transfer these skills to the different areas and markets where we believe they can be advantageously applied.

"The successes we have enjoyed so far are reassuring, but sight must not be lost of the potential damage which could be inflicted on the group by politically motivated action."
Yorkcor well ahead of profit forecast

By Derek Tommey

Yorkcor, the Pretoria-based timber-miller, expects to exceed its profit and dividend forecast by 100 percent in the current year.

In an interim statement the company reported earnings of 124.3c a share for the six months ended June. In January the company forecast earnings of 125c for the full year.

The chairman, Mr Solly Tucker, says the company now expects to earn at least 250c a share in the current year and to pay dividends totalling at least 70c in March. In January he forecast 35c but, as he says "targets are there to be beaten."

Yorkcor's first half earnings represent a dramatic swing around from the loss of 36.3c in the first half of last year. They are also a substantial, though not quite so spectacular, improvement on the 76.5c earned in the second half of last year.

The profit improvement reflects the steady rise in Yorkcor's turnover in the past 18 months, which has resulted in greater plant utilisation. This has led to better unit sales and higher margins, especially in the company's niche markets.

Mr Tucker said the company's improved profits were also the result of targeting on market sectors where it knew it could achieve a high degree of success.

Other contributory factors were the ending of the timber marketing agreement which has led to a freeer market, and to better prices for industrial timber.

"We feel we have it right, are in much better shape and are better able than ever to deal with surprises," said Mr Tucker when asked whether the company would be able to maintain its current profit performance.
Sappi hits top spot in R1-bn takeovers

By Sven Lamehe

Sappi has acquired control of Swaziland-based Union Pulp, in a massive deal totaling R1.2-billion, in conjunction with some overseas investors, according to The Economist, UK, ex-Portugal. Although one of South Africa’s biggest deals this year, Sappi will move into the American market with the acquisition of Union Pulp’s 80% interest in the Swaziland concern, which retains its pulp industry worldwide. This deal, the country’s largest, also saw the reemergence of Sappi as one of the leading South African companies.
Sappi's acquisition of Sacecor - the world's largest dissolving pulp producer - and the Usutu pulp mills in Swaziland (subject to formal approval by the Swaziland government) for R1.05 billion will make it the second-biggest focused industrial company in SA, after Sasol, MD Eugene van As said yesterday.

Sacecor supplies 11 percent of the world market - its entire production from its Umkomaas plant - while Usutu supplies about 14 percent of the world's unbleached softwood pulp. Some 60 percent of its products are exported.

The deal arises out of the decision by UK chemicals giant, Courtaulds, to withdraw from the wood pulp industry worldwide.

"This deal will catapult Sappi into the world's top 10 traders in terms of volume export. About 40 percent of our turnover will come from exports, compared with the current 25 percent," Mr van As said.

"Our turnover will increase to more than R2.4 billion from R1.5 billion. If the share stays around R20, our market capitalisation will be in excess of R3 billion."

"Another impact of the deal would be to push up our total assets to R4 billion."

Mr van As said Sappi's strategic plan in acquiring Sacecor was not to become the biggest pulp and paper producer, but the best.

"The rationalisation benefits of the deal are immense, and they will still be coming through in five or seven years time."

He stressed, however, that the acquisitions would have little or no impact on gearing.

"The debt will be funded out of earnings and we are expecting our gearing to remain at about 80 percent level," he said.

As part of the deal, Sappi is linking up with an international marketing consortium, which has control of the Specialty Pulp Trading Group (SPT). It will assume a pivotal role in the international distribution of Sappi's other products.

"We have not had a sanctions problem anywhere," said Mr van As.

Analysts said yesterday that while the deal would make Sappi one of the big players in the world, they were worried about a dilution of earnings because of the increase in shares - payment will be made through the issue of 10.5 million new shares - and high gearing.

On the plus side, they said the deal would increase its foreign exchange earnings, thereby making it more attractive to investors because of its rand-hedge appeal. Also, rationalisation would reduce transport costs.

Sappi's share price shot up to R35 yesterday morning, but closed only 22c up at R31.75.
Courtaulds sale of interests to Sappi Raises £207m
Sappi buyout attacked

Finance Staff

Sappi’s R1 billion deal to acquire the Swaziland woodpulp interests of UK textile giant Courtaulds has been attacked by a Swazi newspaper with strong government links.

The deal involves the acquisition of the Natal-based Saiccor operation and the Swaziland-based Usutu pulp mills.

However, doubts have begun to emerge about the Usutu pulp mill part of the transaction.

A Sappi spokesman said on Friday that although financial aspects had been agreed with Usutu sellers Courtaulds and the Commonwealth Development Corporation, final approval must come from Swaziland’s 20-year-old head of state King Mswati.

The Star’s Africa News Service reports from Mbabane that the Weekend Observer newspaper, owned by government parastatal company Tshwane Taka Ngwane, launched a bitter attack on the Usutu sale, saying “it should not be entertained. The control of Usutu Pulp by a South African-based company, especially when the company is the goose that lays the golden eggs for Swaziland, is unbelievable.”

The newspaper said “Suppose Sappi comes in and gets down to real business, who will be responsible for the export of the golden eggs from Usutu, especially at this juncture, when there is much talk about the Kingdom being used by South African companies to evade sanctions?”

Commenting, Sappi MD Eugene van As said “We will be making a presentation to the government soon and I hope that we can convince the authorities that we will be good Swazian citizens and that our development of Usutu will be for the benefit of the company and the country as a whole.” Mr van As said.

In its announcement of the deal Sappi said it would be injecting R30 million into the Usutu operation in the first year after a takeover.
Rising capex

Activities: Manufactures safety matches and is involved in the printing and packaging industry and electrical appliances

Control: SA Breweries has control

Chairman: L van der Watt, managing director

Capital structure: 44m ords of 20c each

Market capitalisation: R95m

Share market. Price 215c Yields 16.3% on dividend, 9.4% on earnings, PE ratio, 10.6. cover, 0.6 12-month high, 1.050c, low, 180c

Trading volume last quarter: 157,000 shares

Financial: Year to March 31

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Performance

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In terms of profits, Lion Match has underperformed most listed companies over the past four years. And despite the company slogan ("If you've got a Lion, you've got a friend, friend"), the shares could yet lose some friends among investors as there seems little light at the end of the tunnel.

One reason for the poor performance was the high interest bill, which last year absorbed 13.6% of operating profit. Yet in previous years, the company enjoyed a large cash balance. The change in fortune was due to being stripped of R15.4m in dividends last year at the disinvestment of Swedish Match AB (SM), when SA Breweries (SAB) bought 63.8% for R88.5m.

The dividend was enormous compared with attributable profit for the past 15 months of only R11.2m and total shareholders' funds of R69.9m. Previous payments were also large and in 1986, R4.6m was paid out of attributable earnings of R9.5m. Lion also suffered from lack of capital investment. Almost no such investment was made for many years owing to pressure from the parent company.

This partly explains the sluggish performance in the 15 months to end-March. To make up for the previous lack of capex expenditure amounted to R10m, which put pressure on the balance sheet and income statement.

The interest bill of R2.8m shown in the income statement arose largely during the last nine months of the 15-month period. Before the deal, Lion held net cash balances of nearly R4m. This year the combination of higher rates and the full 12 months of debt will mean a still higher interest bill. Borrowings will be drawn on to fund expected new capex of R1.5m, which will equal last year's total gross cash flow.

EPS for the 12 months to March were marginally higher than for previous year and only 30% above those of four years ago. A bigger leverage bill looks set to restrain earnings even though investment in plant, especially the Interpak packaging division, should gradually improve margins.

Chairman Laurie van der Watt expects the rate of growth in consumer demand to decline, but he is forecasting that the company will achieve improved earnings. The high P/E rating should put a lid on any upward potential for the share price, though, despite the fact that the price paid by SAB is equal to 31.5c after the 51 split, well above the current 215c.

Lion Match
Elgin helps workers to help themselves

Elgin Timbers management, frustrated by red tape delaying a municipal self-help housing scheme, has secured scarce residential plots at Grabouw for some of its workers. GM Peter Grobbelaar told AUDREY D'ANGELO about it.

WHEN the Bolton Footwear Group bought Elgin Timbers at Grabouw two years ago, it inherited workers' housing which was an embarrassment by today's standards.

The firm was founded in 1939 when attitudes were more patriarchal than today and provided free housing on the premises for some of the workers.

But there are 236 workers and their families living in 36 houses.

And GM Peter Grobbelaar said this week that although a few of the houses were fairly modern "there is bad overcrowding and 11 of those houses should simply be demolished."

The firm spent nearly R40 000 on upgrading the scheme, providing electricity and sewerage.

The management discovered that 37 of the workers were on the waiting list for a self-help building scheme planned by Grabouw municipality.

But inquiries revealed that although land was earmarked for this scheme it was not yet serviced. Getting the services put in and the land ready for building seemed likely to be a lengthy process.

However, during the discussions Grobbelaar heard that Eskom was moving workers from Grabouw.

Approaching Eskom, Elgin Timbers was able to buy 19 serviced plots on behalf of workers, at a total cost of R36 000.

"We think this is quite a coup in view of the fact that serviced plots are so scarce at Grabouw and other people, including the municipality, want them," said Grobbelaar, with satisfaction.

"We were able to get them for a very reasonable price, R4 500 each."

Peter Grobbelaar found a way round red tape.

The plots will be registered in the names of the 19 workers to take part in the Elgin Timbers Staff Self-build Scheme and the company will apply for State-assisted loans on their behalf. "They are all earning less than R1 000 a month and would not qualify for a normal building society loan," Grobbelaar explained.

"Elgin Timbers will supply the materials and plans to build timber-framed houses of varying sizes and will provide expertise and infrastructure for the scheme free of charge."

"The 19 people in the scheme have a variety of skills between them. They will form a corporate body and build all the houses, each using his own skill, free of charge in their spare time."

"The houses will vary in size, from 60 square metres to 100 square metres, and will have from two to four bedrooms. But with this system they will cost less than R30 000 including the plot."

"Our 19 workers will each have an asset worth at least R45 000 excluding the plot."
Sappi's earnings up impressive 65%  
By Sven Forssman
Sappi's attributable earnings for the six months to June is up an impressive 65 percent from R10.2 million to R13.3 million, but MD Eugene van As yesterday expressed disappointment that operating income was only 44 percent ahead of last year's R11.5 million.

"Before we concluded the Saccor/Usutu deal we had announced that we would change our year end and report to August, and on that basis we arranged to shut certain of our plants in June for planned maintenance purposes," he said.

"This means that the interim results do not reflect the proportionate increases which were recorded in the first quarter and which we expected to report for the eight months to August." 

Turnover rose 24 percent to R74.9 million and the interim dividend increased 37.5 percent to 56c.

"Turnover reflects a steady demand and good world prices for Sappi's products," Mr van As said.

"While the jump in attributable income is pleasing, a far higher appropriation for deferred tax - R$8 million compared with R13.9 million - checked the increase in distributable income to a modest 12 percent, from R65.4 million to R74.3 million." 

This translates into an EPS of 113c. Attributable EPS rose from 123c to 202c.

Prudence
He said, "The higher dividend recognises both the improved results and the outlook for continuing good results. But this is tempered with prudence because of the additional commitments the group has assumed as a result of its recent acquisitions.

Sappi's gearing has declined from 80 percent at the December year end to 70 percent and from 80 percent at June last year.

Mr van As said gearing would rise to about 80 percent as a result of the deal, but he did not expect it to move much beyond that.

He said the deal should add about 30c per share to attributable earnings in the current year and result in an increase in return on equity.

The long-term benefits of the deal include the cost advantages that should come from rationalisation of forestry resources and greater exposure to international markets.

On prospects, Mr van As said the continuing weakness of the rand and the positive world and domestic market conditions were favourable to the group and would improve results for the second reporting period (8 months)."
Growing uncertainty for forests

SA is heading for a major timber shortage—just as producers are planning a major export drive of wood and paper products.

Demand for locally grown hardwood already exceeds supply by some 2 m³/year. The shortfall is expected to grow to nearly 32.5 m³/year by the year 2010.

Currently, there is a 2.5 m³/year surplus of softwood. But this will be exhausted by the year 2006, to be replaced by a cumulative shortfall of 18 m³, says Forest Owners’ Association (FOA) director Mike Edwards.

SA will then have changed from being a net exporter of softwood, to a net importer of all timber, including the more exotic furniture woods it has traditionally imported, such as mahogany, teak, umbrua, beech and oak.

In 1987, nearly 17 m³ of both hard and softwood was produced locally. Of this, 8.3 m³ was used for pulpwood, 4.34 m³ for sawn timber, 3.45 m³ as mining timber and 840 000 m³ for a variety of other purposes.

By the year 2010, the pulpwood industry will consume 15.6 m³ and sawmills 9 m³. Although demand for mining timber will have dropped to 3.2 m³, demand for “other” timber will have moved up to nearly 1.5 m³.

The FOA represents SA’s major timber processors and plantation owners. Its members control about 75% of the country’s private sector forests and 81% of pine plantations.

It raised the alarm in 1981, when warned that the country’s 600 000 ha of pine trees and 575 000 ha of hardwood forests were insufficient to meet future demand. It warned foresters in SA, Venda, Transkei and Ciskei that they would have to plant an additional 195 000 ha, or 39 000 ha/year, by 1986 to prevent shortages.

The message was largely ignored. By 1986, only 43 470 ha of additional forest had been planted.

Even if the remaining 151 530 ha is planted now, shortages cannot be averted, says Edwards. It takes 25 years before pine trees (softwoods) can be harvested and 10 years for gum trees (hardwoods) to reach maturity.

He says major timber growers have Boy Mabola and HLH are planting enormous areas to timber, but they cannot solve the problem on their own. A vigorous planting programme by smaller growers will also help. The barrier is cost. Suitable land costs up to R3 000/ha, depending on the area and the rainfall, and a possible further R1 200/ha to afforest it.

Growers can expect a net annual return of about 2% before tax which, Edwards admits, “is less than exciting.” But their returns should improve as the shortage tightens and prices rise.

That much is almost certain. To meet demand after 2010, the FOA estimates that even if the additional 195 000 ha had been planted by 1986, a further 11 400 ha/year would have to be planted to meet future demand.

Quoting a forecast to the year 2010, compiled by Louis Heyl Associates, Edwards says timber demand will increase from its present 17 m³/year to 29.3 m³/year by the year 2010—an increase of 73%.

Much of this growth is due to SA’s emergence as a major exporter of wood-based products such as paper, wood pulp and chips—and the coming on-stream of massive wood-consuming projects like the R700m expansion of the Sappi Novobord plant in the northern Transvaal and a similar Italian plant in Transkei.

According to the report, 29% of current demand is for export. By 2010, export demand will drop to 26% of local supply. That figure may be conservative. The forecast was made before Sappi made its major acquisitions and announced its intention to become a major wood and wood product exporter.

Prices of SA timber have already firms on the domestic market and growers are likely to increase prices further as the shortage increases.

The battle continues

The threat of another damaging defection from the Federated Chamber of Industries (FCI) has been postponed. The Port Elizabeth-based Midland Chamber of Industries (MCI) has decided against joining Assocom—“for the time being.”

MCI president Peter Morum says the chamber has shelved plans for a referendum asking members to which national body their chamber should belong. The MCI’s future allegiance was to have been decided on a straight majority vote.

“We are not contemplating any changes in the foreseeable future,” said Morum this week. “We will keep our FCI membership for the time being.”

FCI executive director Ron Haywood expresses more confidence: “I believe we can have a long-term relationship, and that we can accommodate their needs.”

Neither the FCI nor MCI is saying officially what those needs are. However, the Port Elizabeth chamber’s gripe with the national body is understood to centre on two issues—the services offered by FCI and its reluctance to move towards a merger with Assocom.

Several MCI officials are known to favour such a merger. They argue that if the MCI follows the example of the Transvaal Chamber of Industries, which defected to Assocom last year, the FCI will eventually have to accept a merger.

FCI officials have held several meetings with the rebellious chamber to seek a settlement. Morum says some issues have still to be resolved, but adds: “The dust has settled a little.”

Assocom sources think otherwise and they have not given up hope of persuading the MCI to switch affiliation.

Assocom CEO Richard Parsons won’t comment on the matter, but the sources say the MCI has given the FCI a deadline to meet its demands.
Private timber growers be mean measure prices paid

1998 2•59% 2•26%
Solid Doors suffers from lower margins

Finance Staff

Manufacturer of door and timber products, Solid Doors saw its margins decline substantially in the six months to end-August, but directors say good demand for the group's products will be evident during the remainder of the year.

The group has reported an increase in attributable earnings per share of 24 percent, whilst profits before taxation have been boosted to R2.55 million, compared with R2.062 million for the corresponding period last year.

However, on the operating level, earnings were only up 17 percent, while sales improved by 28 percent over the period.

At present Solid Doors has R6.2 million cash on call, which could be used to extend a semi solid and flush door plant, which was completed during the period under review.

Says Solid Doors executive chairman Ian Senor, "The group has performed in line with management expectations and is, significantly, debt free. This position has facilitated the expansion programme, ensuring that the R1.6 million manufacturing plant expansion has already been paid for."

Referring to the group's prospects, Mr Senor anticipates that the group will continue to grow organically. He refers to the increasing demand for its products arising particularly from the growing DIY market as well as the necessity to provide adequate housing for all South Africans.

Mr Senor is confident that the group will maintain the growth evidenced in the first half of the financial year.
Macrall venture proves profitable

In its first full financial year as a joint venture partnership with Cullinan Holdings and GKN Industries, Macrall Timbers reports record profits and turnovers.

The company, formed through a merger between the pallet divisions of Cullinan and GKN last July, with Cullinan acquiring a 51 percent interest, has played a key role in helping the Cullinan group’s other trading operations to double their contribution per share to 16.4 c for the year to end-June.

Mr. Louis Springer de Rover, an executive director of Cullinan Holdings, says the Macrall results were based on a buoyant market in the materials handling and packaging industries.

"Macrall's turnover rose to R36 million for the year with the company's manufacturing sites throughout the country at high levels of capacity," he says.

Meanwhile, Cullinan Engineering's new drive into materials handling has resulted in the company increasing both turnover and contribution to group earnings.

"The company performed extremely well in a highly competitive industry during the financial year," says Mr. De Rover.

"The Cullinan group posted record earnings of 127.6 cents per share for the year.

"In the fabrication field the company has established a solid and expanding base of customers involved in materials handling."
Golden sawdust

From January Sappi Novobord's White River factory in the eastern Transvaal, one of SA's most modern particle board factories, will start buying sawdust from nearby lumber millers to use as part of its material mix.

This will transform a waste product that has become an embarrassment for millers — about 20% of a log becomes sawdust — into a saleable commodity worth millions. It will also lower Sappi's raw material cost and make Novobord one of the millers' best customers.

Millers already sell 18% of their roundlog intake — the solid portion which is unsuitable for conversion into planks — to Sappi's Ngodwana mill as wood chips for paper manufacture or to Novobord for particle board manufacturing. Another 3% becomes 'fines,' a waste product used to produce steam for drying kilns. But there's a limit to the amount of steam the millers need. At the moment they burn the excess sawdust in antiquated kilns or pile it in unsightly heaps.

A vast quantity of sawdust is available. In the year to March 31 1987, reports the Department of Environment Affairs, SA's 122 sawmills processed 3,75m m² of roundwood, 1,55m m² in the eastern Transvaal Twesspruit sawmill alone, which will supply Novobord with sawdust, has a log intake of 200,000 m³/year.

Sappi Timber Industries MD Kim Jokitti says while Novobord produced 55,000 m³ of particle board a year it always had enough logs and chips as raw material. And there was no need to use sawdust as a raw material.

But when the current R70m plant extensions are completed and production increases to 165,000 m³ a year, "we will need all the raw material we can get and will have to widen our raw material base to include sawdust. Particle board manufacture will not compete with paper and pulp manufacture. We're also looking at picking up all forest and mill waste."
SAPPIT'S acquisition of control of the Usutu Pulp Company in Swaziland has not yet been finalised, and there is still much work to be done before it can start planting in southern Mozambique. The Usutu Pulp deal, part of a R1.05bn agreement with UK-based Courtaulds for control of Usutu Pulp and Sappi, is subject to the approval of the Swazi government.

But Sappi MD Eugene van As says the Swazi government is now in recess. Although no answer is expected before the end of February, Van As expects the deal to go through. Van As says there is still lots of work to be done in establishing extensive eucalyptus hardwood plantations in southern Mozambique.

A pre-feasibility study has been done, and Sappi is now working on an overall feasibility study with the Mozambique government.

Surveying work, which has been delayed by weather conditions, might only be completed in May. But Van As says "We hope to start planting towards the middle of this year."

Sappi anticipates it will plant between 30 000ha and 50 000ha in southern Mozambique.

This is an excellent tree-growing area and revenue is expected in about seven to eight years, says Van As.

C-Matic seeks share capital reduction

BRUCE ANDERSON

COMPUTEROMATIC Holdings (C-Matic) intends proposing a reduction in share capital to its shareholders, which will provide Eureka, which has a 50% holding in C-Matic, with cash of R2.5m to reduce its interest-bearing debt.
Lion Match lifts trading profit 39%\(^\circ\)

All earnings increase of 21 percent a share to 14,7 cents is reflected in the interim results for Lion Match.

The interim dividend is 5,5 cents which, with the 35 cents in the six months to end-March, makes a total of 40,5 cents (35,0 cents).

Turnover rose 28 percent to R108,3 million (R92,4 million) to yield a trading profit up 38 percent to R14,0 million (R10,1 million).

After tax profit climbed 27 percent to R5,9 million.

The directors comment: "The growth, of only 10 percent in the group's net assets, despite Interpack's plant renewal programme, compares favourably with the 28 percent increase in turnover." — Sapa.
BUSINESSMAN OF THE WEEK

% WO WOOD

Growth Plan
R15-m
DIY Spares

Demand for
THE Swazi Government cannot be accused of being hasty in closing the Usutu Pulp Company deal with Sappi.

After seven months of negotiating, Sappi clinched a R1.00-billion deal in July last year with UK-based Courtalds for control of the largest pulp producer in the world, Sitigor, and Swaziland's Usutu Pulp.

The only hitch in the deal was that the Swazi Government, under the leadership of King Mswati III, had to approve the proposed sale by Courtalds of 90% of Usutu Pulp.

Six months later, an agreement has been reached between Sappi and the Swazi Government. Sappi managing director Eugene van Aswegen is not concerned about the delay, saying he is confident the deal will be approved by March.
MBABANE — Workers at a Swaziland pulp mill soon to be taken over by South African giant Sappi are in conflict with their management over alleged redundancies.

The workers at Usutu Pulp Company in the west of Swaziland claimed yesterday that new machinery brought in by the management had created redundancies. They also accused the management of discrimination and demanded the suspension of three executives.

They said "a number" of workers had been made redundant.
Some big profit increases have been announced by profit were also helped by the company's focus on its industrial operations. Inventories were also helped by the company's focus on its industrial operations.
Huntcor oddlots on the way out

HOLDERS of fewer than 100 shares in Huntcor can now round up their oddlots through an offer by Rand Merchant Bank (RMB).

Of the 19,696 shareholders in Huntcor, 17,907, or 91%, own oddlots below 100 shares. Their combined stake represents only 1.1% of the equity.

The large number of small shareholders is the result of an investment policy which allowed certain Samancopper shareholders to invest the cash bonuses from their policies in Bonuskor. This option was available from the formation of Bonuskor in 1946 until 1969. The one-for-four consolidation of Bonuskor shares in 1965 reduced even further the size of these small shareholdings.

The large number of oddlot shareholders results in disproportionately high administration costs to the company. Dealing in oddlots on the JSE is usually at a discount to the ruling price because of the higher transaction costs.

Bonuskor's listing on the JSE was terminated in August last year when its members were offered an exchange of either 186 HL&H (Hunt, Leuchars & Hepburn) shares for every 100 Bonuskor, or 100 Huntcor for every 200 HL&H held.

RMB is offering oddlot holders the opportunity either to sell to RMB at R12 a share, or to buy from RMB the number of shares required to round up to 100 at the same price. Alternatively, members can choose the status quo.

The R12 price was determined from JSE trade in Huntcor during a week in January, and is net of all costs.

The current price of Huntcor is 1560c, so it would be better to accept RMB's offer and buy shares at R12. The offer closes on March 3.

If members elect not to respond to either offer, their holdings will be converted into an equal number of A redeemable preference shares which will be redeemed at R12. Such redemption would be out of the proceeds of a fresh issue of ordinary shares by Huntcor to its controlling shareholder.

Members must surrender their share certificates in any event. Those failing to do so will not be paid until the certificates are presented to Fraser Street Registrars, 65 President Street, Johannesburg (tel. 011-491-0911).

VEHICLES & PLANT FOR SALE

ALL RECOMMENDED

Bus — 24-seater (6 standing) Toyota

Flatdeck Trucks (8 ton and 5 ton) pup trailer. Merc 1418/1413/91

Chassis/Cab Trucks — 3 x Toyota SWB, 1 x MWB, 1 x LWB. Merc

Mech Horses — Merc 1113, S (sleeper), MAN 30-320, Mack 6

Trailers — 13m² and 22m² Copsem tandem, Drawbars.

6m² Tipper Trucks — Merc 131:

Ford 13-12, ADE (4), Isuzu

10m² Tipper Trucks — Scania 11C
Higher tax rates whittle Masonite's profit growth

MASONITE'S profit growth at the pre-tax level was an impressive 61% but a higher tax rate whittled taxed earnings down to 33%.

However, the forestry, board and mineral fibre group's December year-end results show a sustained growth throughout the past year. Earnings were up 33% to a record 134c a share from 101c a share in 1986.

A final dividend of 20c has been declared, which makes a total payout of 67c. The previous year's distribution was 72c including a 26c dividend from six months profits from Hardboard Servicing (Masonite sold its interest in this UK subsidiary).

The 1988 distribution should therefore be compared with 1986's dividend total of 40c.

Masonite's pre-tax profit of R18,1m showed an improvement in operating margins to 17,8% on sales of R90,4m, compared with 1987's pre-tax profit of nearly R16m on sales of R74,3m, a margin of 19,4%. An extraordinary item of R680,000 was the profit on the sale of 45% of Hardboard Servicing to the holding company in Chicago. The sales of 53% of Leeds-based Hardboard brought in a profit of R857,000 in 1987. This was all part of US Masonite Corporation's decision to disinvest in SA and direct its products to EC markets.

Masonite directors say in the preliminary report that the improvement in sales volumes continued in the second half of the year and margins were firm. All production units performed exceptionally well with further improvements in quality.

While still a relatively small contributor to earnings, Ezebilt Products, after a slow start to the year, finished on a high note with turnover increasing significantly over the latter part of the year.

In fact Masonite did better than reflected in its 33% earnings increase as 1987 profits included six months earnings from Hardboard.

Orders

A jump in the tax rate was attributable to the absence of foreign-sourced income and a forced cutback in exports as local demand took up most of the group's output.

Although the economy is expected to slow this year, Masonite's high level of orders on hand should enable the company to maintain good results, say directors.

Masonite shares, at R14,75, are trading on a historic PE of 11 and historic dividend yield is 4,5%.
PG Wood has spent R4.5m on hardware.
SA heading for a timber shortage

SA is heading for a serious timber shortage in the future and will not be able to meet the needs of its growing local and export markets.

Forest Owners' Association director Mike Edwards says a recent survey found that in order to meet projected demand, the industry needs to plant about 40 000ha more a year until 1992.

From 1992 onwards, it needs to plant another 17 000ha a year to meet its timber requirements by 2010.

But it will need to plant more if it wants to expand wood-processing operations to meet higher local consumption and exports.

The survey took into account the impact of improved yields of tree breeding and of drought. It looked at three scenarios — Edwards said even the most favourable scenario would result in a shortage.

For the six years to 1987, the average increase in planting was 13 400ha a year. The average net gain — as some timber land was converted to other uses — was about 10 000ha a year, resulting in an accumulated shortfall of 174 000ha by 1987.

But SA's total plantation area, has doubled from 556 000ha in 1965 to 1.2 million hectares or 1% of SA's total land area.

The trend has been to increased planting, but not enough to reach the projected requirements.

Edwards says people have woken up and the large companies are going on major afforestation drives.

By doing everything possible to increase timber production — planting more, improving yields from existing areas and improving utilisation by eliminating wastage — the problem will not be solved.

"We have not had the investment that we should have had and it is a problem to encourage people to come into the industry."

There is a limited supply of land with suitable soils, rainfall and climate and which is near processing plants.

The industry has been looking at all available timber sources in southern Africa, including Mozambique and Zimbabwe.

Edwards says KwaZulu and the Transvaal offer the most potential for new forest investment, but there is the problem of the system of land tenure in these areas.

He says forestry is probably the prime industry to create rural employment opportunities. Planting the 40 000 additional hectares a year to 2010 could create an additional 50 000 jobs for more cheaply than other industries.

Mondi CE Tony Trahar says the shortage of timber can be alleviated if government and private enterprise step up and co-ordinate forestry research efforts.

While an increase in area planted will contribute to the solution, there are growing demographic and environmental pressures against this approach.

Trahar says there is considerable potential to increase the yield of existing plantations through research, technology transfer and innovative cultivation techniques.

Significant yield improvements have already been achieved in some areas if similar improvements could be achieved on total existing plantation areas, a 50% increase in yield a year might be possible which would come closer to meeting the projected demand for timber.

He says research must be integrated and knowledge must be shared on a cooperative basis by government and corporates.

Mondi believes much more needs to be spent on forestry research in SA. About R22m was spent during 1987, 53% by private companies, 40% by government and the balance coming from the forestry council.

Trahar says "We must compare ourselves with other countries with strong forestry industries, SA spends less than 1% of industry sales on research while others spend between 2% and 5%.

"From another perspective, Australia and New Zealand in 1985 spent three times as much on research per cubic metre of timber produced, R3 against SA's R7c."
MODERNISATION and new production facilities were the main avenues for capital expenditure in the forest products industry, said Sappi’s deputy executive MD Ken Lechmere-Oertel at the conference.

The industry, which consists of plantation forestry, pulp and paper manufacture, sawmilling, mining timber and flatboards, received R5.65bn in investment in 1987. However, SA’s capital expenditure for the paper and pulp industry was very small in world terms, said Lechmere-Oertel.

The paper and pulp industry, and the plantations supporting it, constituted more than 70% of this investment.

Lechmere-Oertel said the most important factors relating to future investment were the availability of raw materials and end use markets.

He said a minimum growth of 5% a year was forecast for SA pulp and paper manufacturing, which would require a doubling of existing capacity in 14 years at an estimated R7.5bn. Considerable scope for modernisation and improvement also existed at a minimum cost of R400m a year.

Growth of 4% was anticipated for sawmilling, requiring expenditure of R250m a year, and modernisation would lead to annual expenditure of R400m.

Lechmere-Oertel said very little capital expenditure was needed for the mining timber industry, which had a low growth forecast but which required some modernisation and updating.
Yorkcor planning share split to woo investors

By Derek Tomney

Timber-processing company Yorkcor has a problem. After several lean years it has started making real money, as can be seen from the quadrupling in its operating profit last year from R1.3 million to R5.4 million.

Now it has something to offer the investing public, it would like to have more shareholders and see a real market develop in its shares on the JSE.

But with only 886,000 shares in issue, of which some 800,000 are owned by the major shareholders, there are not many left for the investor wanting to make a significant investment in the company.

To get around this and to improve the marketability of the company's shares, it is planning a share split, said the chairman, Mr Solly Tucker, this week.

No definite figure for the split had been decided upon but the shares, which are standing at 136c, could possibly be split on a five for one basis.

However, in what can be seen as a move to reassure the family shareholders that this would not lead to their losing control, he pointed out that this would not dilute the equity in the hands of the existing shareholders.

Speaking at the annual meeting of the company, Mr Tucker repeated his forecast contained in his annual report that the company remained cautiously optimistic about 1990's prospects and that he expected Yorkcor better its 1989 earnings of 35c a share.

But he added that conditions in two of the company's major markets - housing and furniture - could possibly deteriorate as the year proceeds.

Mr Tucker said the company had made good progress in placing its current activities on a sound footing and had "clearly reached the stage where it has both the managerial and financial resources to consider expanding its operations significantly. For some years, we have felt that the market price of Yorkcor shares has failed to properly reflect their underlying value.

"For as long as there was no real requirement for the company to issue additional shares, your directors regarded it as their first priority to look after the running of the business."

Mr Tucker said Yorkcor was doing well in its export effort but there were restraints and believed competitive conditions in the local timber market would become tougher, if not fierce.
Rising prices add to Sappi's growth

in the years ahead, say directors

Comparison of the 1989 figures with the 1987 figures is distorted because Sappi changed its year-end to February as a result of the Saercon acquisition. However, annualised percentages have been provided.

The results include figures for Saercon from April 1, 1988. The Utsata Pulp Company's results are excluded pending the completion of current negotiations with the Swaziland authorities, but chairman Tom de Beer says Sappi can look forward to concluding the Utsata deal in the near future.

Turnover rose 61%, calculated on an annualised basis, to R1468m (R1312m).

Improved margins of 25% (21.4%) led to an 89% rise, on an annualised basis, in operating profits to R517.7m (1987: R280.8m).

Financing charges rose due to higher interest rates and the increased level of financing associated with the enlarged group. Despite higher borrowings to finance acquisitions, Sappi's debt equity ratio improved to 0.67 (1987: 0.90).

Pretax profits rose to R582.3m (1987: R265.9m), equivalent to an annualised improvement of 88% and net income of R496.7m (1987: 218.1m) represents an annualised increase of 97%.
Share split at Yorkcor on cards

EDWARD WEST

THE York Timber Organisation could be in for a share split at the end of July.
Chairman Solly Tucker said last week the split would follow JSE approval of
recommendations by Yorkcor brokers and a merchant bank, to be considered at a
board meeting on May 18.

With 80% of the 9,600,000 shares in issue in
the hands of the Tucker family a share
split would be needed to make them more
accessible to outside investors.
Yorkcor's shares have moved 111.7% this year to peak at 1.725c last week.
The share price has been sustained
growth since June 21 when it stood at 715c.

Analysts attribute the rise to excellent
results in 1986 and good prospects for
increased productivity and the growth of
the construction and building industries,
which make up 35% of Yorkcor's market.
Main contributors to phenomenal
results in 1986

The group posted a 670% increase in
earnings to 309.6c a share from 40.5c earnings in 1985. This was achieved on an
increase in turnover of only 19%.
An analyst said he expected Yorkcor's
earnings to increase by 30% to 408c a
share in 1988.

Tucker said the company was well on
track to achieve forecast earnings of 350c a share and had contingency plans for the
predicted slump in housing and furniture
sectors.

[Graph showing share price, daily close (cents)]
Confidence high at Sappi

Finance Staff

The current cycle of high world prices for bleached paper pulp has enjoyed an unprecedented run and can be expected to level out shortly, says Sappi chairman Toin de Beer.

"Writing in the group's annual report, he says prices for newsprint are also likely to come under pressure over the next two years as there are a number of new facilities coming on stream throughout the world.

Despite this, Mr de Beer expects substantial growth for Sappi in the current financial year.

Looking at the impact of the Sappi/Saiccor acquisition, chief executive Eugene van As says "Saiccor fits in well with our business and is less cyclical than a pulp producer."

"It has already proved to be a major profit contributor to the group, and we have benefited from our relationship with Speciality Pulp Trading, which has international trading links and markets Saiccor's dissolving pulp overseas."

"We are committed to making further investments in the business to improve plant reliability, product quality and plant output."

...
Lion Match sparks up earnings

Lion Match lifted turnover for the year to March by 22 percent to R230.4 million (R188.3 million).

The figures reflect a 33 percent rise in pre-tax profit, resulting in a 28 percent rise in taxed profit of R10.8 million (R8.5 million).

Despite a rise in financing costs to R5.1 million (R2.5 million), attributable earnings reached R12.1 million (R9.7 million), an increase of 24 percent, equivalent to earnings per share of 27.6c (22.1c).

In line with the current policy of paying annual dividends of about 40 percent of attributable earnings, a final dividend of 5.5c has been declared, making a total of 11c.

Sopa
JOHANNESBURG — The Lion Match Co increased turnover for the year ended March by 22%, to R330.4m from the previous R289.5m.

The figures released yesterday reflect a 33% increase in profit before taxation, resulting in a 28% increase in after-tax profit of R10.8m (R8.5m).

In spite of the increase in financing costs to R5.1m (R3.5m), attributable earnings reached a record of R12.1m (R9.7m), an increase of 24%.

This is equivalent to earnings per share of 27c (22.1c).

In line with the board's current policy of distributing annual dividends approximating 40% of attributable earnings, a final dividend of 5.5c was declared, making a total of 11c for the year.

Although it is expected that there will be a cooling in the degree of economic activity and a more selective application of disposable consumer income, the group expects to achieve improved earnings in the current financial year — Sapa
Lion Lights Up With Good Performances

Bruce Anderson

Lion Match has increased earnings by 23% to 22c a share (22.1c) for the year to March, after exceptional results from its packaging division, Interpak.

The division's good performance is reflected in the 45% increase in operating profit to R25.4m (R17.6m). All other divisions performed well.

Turnover was 25% higher at R39.4m (R31.5m).

Directors say Interpak delivered operating profits at nearly treble the 1996 level.

Another good performance came from Wilkinson Lion consumer products, where operating profit was more than 25% higher.

The final dividend of 15c a share remains unchanged from last year, as does the total dividend at 11c a share.

Attributable profit rose by 24% to R12.1m (R9.7m). Gearing rose to 54% (46%) but cash flow from operations is expected to bring this to below 50% this year.

Expenditure on plant and working capital raised total assets by 20% from R132.7m to R167.6m.

Most of the spending was focused on plant renewal at Interpak and additional capacity at Lion Appliances.

Lion Match manufactures safety matches and is also involved in the printing and packaging industry and in electrical appliances.

Directors say there is adequate capacity to fund the next stage of the capex programme, which will include import replacement at Lion Appliances and Wilkinson Lion Products and more modernisation at Interpak.

Although a cooling in the degree of economic activity is anticipated with a more selective application of disposable consumer income, the group expects to achieve improved earnings in the 1996/97 financial year.
Larger HLH earnings rise 42c to 68.8c

ENLARGED timber and food group Hunt Leshans & Hepburn has boosted earnings a share 42c to 68.8c, on a bigger share issue with all divisions performing ahead of expectations.

Income attributable to ordinary shareholders has grown to R76m but, unless these results include those of the Bonaskor group, which HLH acquired last year, comparisons with the previous year's results are not meaningful.

A final dividend of 16c has been declared, making a total of 24c — a 33% increase over the previous year.

Substantial profit margins were achieved on turnover of R371m. HL & H CE Neil Morris attributes this to strong improvements in all its timber and food divisions.

As SA's largest industrial timber supplier and a major softwood supplier, HL & H benefited substantially from strong demand from the mining and construction industries.

On the industrial side, there was no mine strike this year and the group introduced new products in the softwood division, which came from Bonaskor. High demand from the building industry meant that all sawmills were running at full capacity for the first time in three years, Morris said.

Of its food interests, the sugar division benefited from the recent increase in the international price of sugar. Robertson, in which HL & H acquired 100% control, increasing its holding from about 56% last year, benefited from strong demand and growth in the total market.

The recent acquisition by HL & L of a strategic 55% interest in Rambow Chickens took place after the year-end but is expected to contribute quite handsomely to the current year's earnings.

While about 30% of earnings are expected to come from traditional timber interests this year, Rambow Chickens and Robertson are expected to contribute 50%, split evenly between them, with Transvaal Sugar contributing the remainder.
840 workers join Everite strike

ABOUT 800 workers at the Everite plant in Brackenfell downed tools yesterday in support of a national wage strike affecting four plants and 2,300 workers. The workers are demanding a R1.03 across-the-board increase on the hourly minimum of R2.85. The company is offering 50c, increasing to 75c for higher grades.
Cash on the nail keeps MAS happy

SUPPLYING customers who spend practically every rand which comes into the household may appear to have its limitations.

But it does protect the dealer from many of the vagaries of the economy.

Marco van Embden, chief executive of SA's biggest mail-order house MAS Holdings, says: "We have a customer base which is not affected by higher mortgage bonds and soaring interest rates - our sales volumes keep increasing."

The group, listed in JSE, has produced consistent earnings growth in the last five years of about 30% a year, trebling earnings from R8.8c a share to 26.3c.

In the year to February Mashold scored a 34% increase in pre-tax profits from R4.4-million to almost R6.2-million. Taxed profit increased 29% to R4.9-million and earnings per share showed 27% growth.

A total dividend of 12c (the last year) has been declared.

Mr. Van Embden says: "I would not say that we are totally recession-proof, but we fare a lot better than many other retail sectors in the bad times."

Creditor

"We are almost entirely a cash business, selling non-luxury goods to a direct market. Our 'shop windows' are the millions of catalogues we mail every year throughout the sub-continent."

"Payment is either made with the order or by COD through the post office, which is our biggest creditor."

Last year Mashold took over Grolier from its dissenting US parent. Grolier sells books, encyclopedias, the Time-Life and National Geographic series and the Walt Disney range of children's titles.

This is the only company in the group which sells on short-term credit, but it is contributing to earnings, says Mr. Van Embden.

"We have translated the Disney range of titles into Afrikaans and the response has been beyond expectations. Orders are streaming in."

Mashold keeps tight control of its operations, and Mr. Van Embden says 96% of the 1.5-million orders a year are sent within 72 hours of receipt.

The current year has started well.

"We are looking strong after the first two months' profit figures and the turnover figure for May," says Mr. Van Embden.

Sappi farms it out

PULP and paper manufacturer Sappi, celebrating a year of record earnings after hugely improved output, strong world markets and acquisitions, is sharing its good fortune.

The group, which spends more than R4-million a day buying materials and services from outside suppliers, has introduced its own privatization policy.

The annual report says Sappi has become a major job and wealth creator in its own right. Chief executive Eugene van As says Sappi concentrates on managing those things which are a core part of its business.

"We have, therefore, found it our advantage to contract out activities which do not form part of our core business to specialist organisations, some small and some large," Mr. Van As says.

"We have a policy of assisting small organisations to start and this has led to the creation of numerous small businesses ranging from harvesting and haulage contracting to providing security services, catering, fire-fighting, landscaping, cleaning and many other service activities."

But it does not end there.

Sappi's expansion has also opened opportunities for large contracting companies and for small specialist organisations which can help in the manufacture or maintenance of specific equipment.

Sappi has developed three farmset schemes to ensure supplies of its major raw material, timber, from farming communities and small growers.

Project Grow in KwaZulu gives support and free high-quality seedlings to small farmers. More than 100 people are working on the project.

Through its Fiesta scheme, Sappi develops and manages plantations for investors who do not wish to operate them.

Project Map helps mixed farmers to plant trees on land unsuitable for other crops.

In the 14 months to February 25 turnover jumped to nearly R2.3-billion, an annualised 61.2% increase. Net income was R496.7-million.

All divisions achieved record results, including the Salcor dissolving pulp mill acquired during the year.

Record earnings of 607c a share reflect a compounded annual increase of 26% in the past 10 years on a base that has risen from 28.6-million shares in issue to 88.4-million.
WITH international inventories for pulp at their lowest level ever, and generally firm world market prices in all products except newsprint, Sappi chairman Tom de Beer expects this year to show further growth.

He adds in his annual review prices are expected to level out because the current cycle of high world prices has had an unprecedented run.

De Beer says Sappi is well established internationally and represents a sound rand-hedge stock for investors.

This increases Sappi's sensitivity to world trends but gives it tremendous opportunities for further developments.

Manufacturing facilities are in good condition and operations are well diversified in the forest products business.

De Beer is confident about the opportunities for real growth and capital pre-

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Zella Efrat

programmes are under way to help achieve this. Prospects for 1989/90 are good.

CE Eugene van As says the current year started on a positive note. The local market for all products is strong and, although the rate of growth achieved last year is not likely to be repeated, he expects steady growth in the year ahead.

To prepare for the 1990s and realise the Saccor acquisition, Sappi has restructured its management.

Van As says towards the end of 1989 many Sappi clients will have direct computer access to enable them to place orders and get immediate response on availability and orders scheduling.

The recently acquired Saccor considerably boosted exports and has already proved to be a major profit contributor. As a low-cost producer, it assisted in improving Sappi's overall trading margins.

Sappi is still negotiating with the Swazi authorities to finalise the acquisition of Utsu Pulp Company.

In the 14 months to February higher world dollar prices prevailed for most products and the benefit was accentuated by the weaker rand exchange rate.

De Beer says in the next few years some new facilities will be coming on stream in several countries to meet the growing demand for pulp and newsprint.

It is likely newsprint facilities will come on too rapidly to avoid surplus capacity so newsprint prices will continue to be under pressure for the next two years.

Pulp plants coming on stream appear unlikely to depress pulp prices if the international market continues to grow at the rate of the last few years, says De Beer.

Dividend

But pulp prices could level off at current levels or even show a small decline.

Earnings of 60c a share for the 14 months reflects a compounded annual increase of 26% over the past 10 years on an increase from $1.6 million to $13.4 million ordinary shares in issue.

A dividend of 180c (130c) a share was declared, covered 2.3 (2.5) times. Cover will be on average kept at 2.5 times.

Sappi has a debt/equity ratio of 0.67 (0.77) and current ratio of 1.48 (1.19).
Synthetic timber on way

By Tom Hood

CAPE TOWN — At least two factories making synthetic hardwood are likely to start up this year. This was disclosed at the weekend by Mike Elborough-Cooke, chairman of the British CK group of companies, which recently formed an SA subsidiary, Plexite.

Plexite was exploring prospects of local manufacture of Timbrene, resulting in scores of approaches from companies and investors, he said.

"Ten companies are seriously interested and we will be setting up plants in Cape Town, Natal and the Transvaal. There has been tremendous interest in the Cape, ranging from garage doors and window frames to timber poles for vineyards, which are getting scarce."

He believed there was great scope for exports because of higher prices overseas.

"I can foresee container-loads being exported, not merely for price, but because of a growing world shortage of timber through unchecked deforestation."

The synthetic product is claimed to cost half the price of real timber, to be impervious to attack by water and insects and to require no treatment or painting.
Timber processors a 'threat' to canelands

Own Correspondent
DURBAN — Sugar growers have called for a moratorium on purchases of caneland by major timber processors while a study is made of the effects on the rural economy of widespread planting of forest on former sugar farms.

Tony Ardington, chairman of the Cane-growers' Association, said at the organisation's annual meeting at the weekend that the suitability of land for timber was seldom the criterion.

The land was being depopulated because of the less labour-intensive nature of silviculture, exacerbating the problems associated with urban drift.

He suggested consideration be given to limiting the accumulation of farms by processors of food and agriculturally produced raw materials.

Mr Ardington accused timber companies of restraining prices they paid to small growers.

"Increasing demand for timber, declining growth of existing forests because of drought and the lack of new supplies coming to the market have created a crisis," he said.

"The first response of the timber-processing companies was not to increase the price to the point where it became profitable to establish new land to timber; indeed, as recently as 1986 these companies were paying R4 a ton for timber delivered to the facilties (mills) by private growers while, at the same time, often paying in excess of R75 a ton to transport the timber from certain of their own plantations."

"Their response was to start indiscriminately buying up farms to establish timber...

"If, instead, they had increased the price of raw materials to the value reflected in the price they are paying for the farms, then the most suitable land would have been established for timber, leaving more productive land for crops."

That, he said, would have satisfied the needs of the timber industry and ensured the most economic use of land "without undermining the economy of the local sugar mills or the viability of rural communities."

Mr Ardington said the formula by which the proceeds of sugar production were split between growers and millers was penalising farmers at the expense of the milling companies because of the cost savings achieved by producers over the past five years.

By responding logically to correct economic incentives, he said, farmers had held costs to an annual increase of 10.3 percent, considerably lower than that of millers.

Ironically, the formula gave a bigger share of proceeds to the sector with the higher costs: growers consequently had seen their share drop from 68 percent to 65 percent.

"It seems strangely inappropriate that an efficient response to hard times should now be depriving growers of much-needed revenue at a time when the financial position of the industry has improved."

"The consequences are far-reaching, particularly in view of the favourable alternatives offered by timber."


By TOM HOOD
Business Editor

A CAPE sawmill is leading the way for the country’s timber industry in a new attack on export markets.

More than R75-million of the industry’s annual R630-million turnover is sold to overseas countries.

Rembrandt-owned Boskor sawmill exports about 40 percent of its products to North American and European countries, including shipping container floors, squash court floors and telegraph poles.

“The Southern Cape mill near the Storms River Mouth uses 155,000 tons of logs a year and has become the country’s largest manufacturer of laminated squash court floors and containers. A quarter of these products are exported.”

It is one of the 104 companies backing the SA Lumber Millers Association (Salma), which has formed a new company to push exports with the help of the South African Foreign Trade Organisation.

“Sawmill products have enormous export potential which is being increasingly exploited,” said Salma’s executive director, Mr Andries Swart, this week.

Two chief reasons for this, he believes, are the low rand exchange rate, which makes South African timber cheap overseas, and the high quality of local pine, especially laminated products.

“Strict standards laid down by the SABS have improved the quality of South African pine so much that imports have been almost eliminated and our exported timber is as good as anywhere in the world,” said Mr Swart.

About 115,000 people work in the timber industry, making it a bigger employer than the motor industry.

Dr Apies du Toit, Salma’s technical director, agreed.

There was scope for increasing exports, but warned that there was strong competition from well-organised companies in Canada and other countries.

There was also a danger of local timber prices getting too high, he said “Prices will be prohibitive if we don’t do something about it.”

Competition from pulp and paper manufacturers was driving up the price of logs with pulp companies able to pay better prices so that sawmills lost out.

The timber industry was already losing ground to Iscor, which was getting into the low-cost housing market with steel frames.

Wages were rising as unions became more militant, said Dr du Toit. At the same time, workers wanted to use more high-tech equipment but the weak rand made the import of machinery prohibitive.

“Somehow we must bring down prices, possibly by looking at unit costs and profit margins. But this can only be done by adequate training of managers,” he said. “In 73 production units only nine have people who are trained in wood technology.”

Dr du Toit said the country’s housing shortage had been calculated at 4-million units and if the makers of timber homes could get into that market, business would take off.

More than 90 percent of all new homes built in the United States, Australia, Canada and Japan have timber frames and South Africa is set to follow with the growing acceptance by municipalities, builders and the government of timber-frame housing.”
Saiccor joins the
Ngodwana league

SAPPI picked up a gem in its acquisition of
dissolving pulp producer
Saiccor as part of last
year's R1-billion buy-
out of Courtaulds

By Ian Smith

Saiccor is the world's largest single manufacturer
of chemical cellulose used in
the manufacture of rayon
and cellophane, supplying
about 11% of the market

With output increasing by
about 20% since the takeover
last September and a reduc-
tion in the proportion of
tower-grade B pulp, Saiccor
has taken its place alongside
the Ngodwana pulp mill, the
major contributor to Sappi

It does not, however, match Ngodwana's impor-
tance as a contributor to cash
flow.

"Ngodwana is a new mill
running at high levels of
production," says Sappi group
managing director Eugene
van As

- Tuning

A total of R50-million will
be spent on improvements at
Saiccor's mill in Umbonanza
off the Natal South Coast in
the year to February 1990. It
will mainly be fine tuning,
says Mr van As, but it is ex-
pected to have a beneficial
effect on production and
quality.

About 96% of Saiccor's
1.2-million-ton-a-day output is ex-
ported, foreign buyers being
fairly equally distributed be-
tween the Far East, Europe
and the Americas.

Foreign markets are
strong and demand should be
maintained with three big
new rayon plants on the
drawing boards abroad.

Saiccor is well placed
among the highest-quality
producers in the world, but
Sappi's management has au-
thorised a research drive to
produce raw materials for
the high quality viscose and
acetate product range where
the best prospects appear for
development.

Stability

The Saiccor acquisition
puts Sappi on the doorstep of
an industry which appears to
be removed from its tradi-
tional paper and associated
pulp activities.

But this was part of the
attraction. The market for
dissolving pulp is generally
far less cyclical than the

EUGENE VAN AS

Approval

Few management changes
have been made and new
managing director Roland
Mazery moved into the top
spot on June 1 when Cour-
taulds' former managing di-
gerator retired.

The second part of the deal
with Courtaulds, which will
give Sappi 80% of the Usutu
pulp mill in Swaziland, has
not gone so smoothly. It is
still awaiting ratification
from the Swazi Government.

But Sappi, which is com-
mitted to a R50-million ex-

"It makes sense for all the
parties concerned," says Mr
Van As.
Sappi's rand hedge value boosts share performance

Sappi's rand hedge value, the buoyant international market and its solid performance in the 14 months to February all contributed to the share price's strong performance last week.

After rising to a 12-month high of 4 800c on Tuesday, the share closed at 4 785c on Friday. Analysts believe the share price was previously undervalued.

The share is being seen as a strong rand hedge, with more than 40% of Sappi's turnover being generated offshore, says Edey, Rogers and Co director Franco Busetta.

Dollar prices of pulp are increasing and are expected to remain firm.

World prices for linerboard and fine paper are expected to rise.

International newsprint prices rose sharply last year and have begun to decline. The average price in 1989 is expected to remain essentially unchanged.

The deprecating rand will continue to enhance export proceeds.

However, real growth on the local market is expected to drop from 8% to 5% in the current year.

Sappi performed strongly in the 14 months to February with annualised earnings increasing 97% a share, in spite of a 22% increase in the number of shares in issue. Organic turnover was an annualised 24% and operating margins increased to 28% (21%), due mainly to the Snaecor acquisition.

The group's operations are performing well and there remains scope for further rationalisation and improvement.

Busetta says preliminary forecasts were that the group's earnings and dividends could grow by 30% to 40% this year, followed by a further 20% next year.

However, he says the group's markets are both cyclical and volatile. A downturn in the domestic market is approaching, and if the inevitable decline in world markets takes place in two years' time, the effect on Sappi's earnings could be marked.

He says this could be compounded by the group coming into a tax situation at just that time.

Since the market will anticipate this, the time horizon for further appreciation in the share price is limited, says Busetta.
Mondi in R110m timber expansion

MONDI Paper Company is embarking on a R110m afforestation project to develop 60 000ha of timber in the eastern Cape.

The programme will be implemented over the next seven years and reflects Mondi's commitment to help meet SA's timber demand, which is expected to rise by almost 60% over the next 20 years, the company says.

The long-term project will be financed by the Anglo American Corporation and De Beers Consolidated Mines.

The area concerned is in the Uppe, Maclear and Elliot districts - close to the Transkei border and north-east of Queens-town. The project is expected to create about 1 500 new jobs and substantially increase spending power in the local communities.

Mondi executive chairman Tony Trahar says company policy is to support local suppliers of goods and services.

Having established a substantial base for the first phase of forestry development,
Sappi expects growth in profits

SAPPi's profits should show substantial growth in the year ahead, unless there were significant changes in the international economic environment, said chairman Tom de Beer at the annual meeting in Johannesburg yesterday.

Domestic paper markets were showing the effect of the recent interest rate increases and there was a tendency to reduce inventories, which had reduced demand in the past two months, he added.

Export markets in general remained buoyant although newsprint prices had dropped and were expected to remain under pressure for the next two years.

"On the international market the stocks of bleached pulps remain low and demand should remain strong until 1991, when a considerable new capacity will come on the market," De Beer said.

"However, the current strength of the dollar against all other currencies is likely to depress dollar prices, although prices of pulp as measured against a basket of currencies are likely to rise modestly,"

All Sappi mills were operating well. Saccor had increased output significantly compared with improvements achieved over the past 24 months.

As dissolving pulp markets remain strong the mill was expected to make a better-than-expected contribution to group profits.

De Beer said discussions had again been held in May with the Swanland government on the acquisition of the shares in the Usita Pulp Company. Sappi expected a final decision on the transaction soon.
Forestry firm axes trade with S Africa

AUCKLAND — New Zealand's largest listed company, forestry giant Fletcher Challenge (FCL), said yesterday it would cease trading with South Africa, but added the move was not in response to anti-apartheid protests.

"We've basically made an economic judgment drawn from the minuscule levels of trade we do with South Africa," chief executive Hugh Fletcher told Radio New Zealand.

FCL exported seeds to South Africa and imported natural stone in two-way trade worth NZ$500,000 ($286,000) in the year to June 1989.

The company, which has annual turnover of about NZ$12 billion ($6.9 billion), will sever links by October.

Anti-apartheid protesters, waving proxy votes, earlier this year forced FCL to hold an extraordinary meeting to debate the issue and threatened to use the company's rules to force a meeting every 40 days at a cost of NZ$100,000.

Dick Outibert, spokesman for Halt All Racist Tours (HART), said his group would now turn its attention to the largest trader with South Africa, the New Zealand Dairy Board.

The board, which is New Zealand's sole exporter of dairy products, last year sold NZ$77 million worth to South Africa. This compared with its total trade last year of NZ$2 billion.

However, Dairy Board spokesman David Graham said the board did not make political judgments on the more than 100 countries it traded with.

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Dick Cuthbert, spokesman for Halt All Racist Tours (HART), said his group would now turn its attention to the largest trader with South Africa, the New Zealand Dairy Board.

The board, which is New Zealand’s sole exporter of dairy products, last year sold NZ$7 million worth to South Africa. This compares with its total trade last year of NZ$2 billion.

However, Dairy Board spokesman David Graham said the board did not make political judgments on the more than 100 countries it traded with.

Growing a future

New afforestation projects totalling 110 000 ha planned by Sappi and Mondi are a step in the right direction — but not enough to prevent SA’s timber surplus from being depleted by the year 2007.

This is the view of Forest Owners’ Association (FOA) director Mike Edwards. Based on current plantation area, and allowing for improvements in yield, the FOA estimates a potential cumulative shortfall of 18 m$^2$ of softwood and 32.5 m$^2$ of hardwood by 2010.

Sappi CEO Eugene van As disagrees. While he concedes that there is an existing shortage of hardwood (Eucalypts), and that a shortage of softwood (pine) will develop, this won’t be permanent.

“People who predict a timber shortage presume no one will do anything about it and forget about free market forces. Many — small companies, big companies, farmers and probably even the State — now know timber is a good business and will plant more than they did before. I don’t believe we’re running into a lasting shortage."

Quoting from an exhaustive survey of SA’s timber reserves and usage conducted by the FOA least year, Edwards remains adamant “We need an additional 40 000 ha/year to be planted for the next five years and 16 000 ha/year thereafter — but we’re only getting 23 000 ha/year."

“And, while the new schemes launched by Sappi and Mondi will assit and stimulate interest, they don’t alter our forecast.”

Sappi recently announced that it is involved in a joint venture with the Mozambican government which might lead to it planting 50 000 ha of new forest in Mozambique, in addition to the 240 000 ha it already owns in SA. The cost of the Mozambican venture will be more than R50m. While Sappi will commit only a few million rand, it may be difficult to raise the balance “as it will have to be raised by the joint Mozambican company.”

Meanwhile Mondi, which has 220 000 ha under trees, is involved in a R110m joint venture with Anglo American Corporation and De Beers to develop 60 000 ha of plantation in the Ugie, Maclear and Elliott regions of the north-eastern Cape over the next seven years.

The difference in the scope of the investments is that Mondi will ultimately own its forests. While Sappi will manage its project, and guarantee a market for the timber in its mills, the Mozambican government will retain ownership of the land.

However, there are still some obstacles to be overcome. While he expresses confidence in the scheme, the Mozambican soul is similar to that of Sappi’s estates in northern Zululand.

Van As warns “We are not yet committed to planting 50 000 ha. We did a feasibility study and we are now conducting a full feasibility study with overseas consultants. Everything depends on the outcome of that study."

“We hope to plant a pilot area this year. If everything goes well, we’ll plant most of the area to Eucalypts, which we’ll start harvesting in eight or nine years.”

Mondi, which anticipates that demand for SA timber will increase by 56% over the next 20 years, has the blessing of the forestry branch of the Department of Environment (DE). According to the DE, the eastern Cape area is suitable for development under the National Forestry Plan and the necessary permits will be granted.

A Mondi spokesman agrees SA appears to be running into a timber shortage. One obvious way of preventing it is to plant more trees and increase the yield of the land under timber. Another option is cloning, which can double yields, but can be hazardous unless skillfully done. Desirable, as well as undesirable attributes of parent stock are cloned.

Timber sales from plantations were worth R530m in 1987, compared with R450m in 1986. Total 1987 production increased by 1.14 m$^2$, or 8.3% to 14.8 m$^2$, with sales of pulpwood, sawlogs, mine timber, poles, matchwood, charcoal and firewood totalling R383m.
Boksburg to try to re-close lake roadway

Staff Reporter

The Boksburg Town Council will look into means of re-closing the roadway running along the northern boundary of the town's whites-only lake after a successful court application to reopen it.

The road, which was closed after the CP took control of the council last September, was opened after a court interdict was granted this week to the applicant, a retired property owner and developer, Dr Karl Hechter Schultz.

Dr Schultz's action was on the instructions of Lawyers for Human Rights.

Although the Boksburg Town Council has also agreed to pay Dr Hechter-Schultz's costs, the national director of Lawyers for Human Rights, Mr Brian Curran, said that the legal costs would ultimately have to be borne by Boksburg residents unless the town councillors decide to foot the bill themselves.

When Boksburg Lake was exclusively reserved for whites in November, a gate was erected on the lake road to prohibit the flow of traffic.

In his supporting affidavit, Dr Hechter-Schultz said all Boksburg residents had a common right to use the Boksburg lake as a park and the road had been used by the public for more than 30 years.

Mr T J Ferreira, chief whip of the CP caucus in Boksburg Town Council, said legal alternatives on how to close the road again would be "looked at."

Pulp mill smell 'not a health hazard'

Own Correspondent

Scientific evidence world-wide suggested that the smelly emissions from the Mondi pulp mill at Richards Bay were not a major public health factor, the company said in a statement issued yesterday.

Mondi was reacting to recent newspaper reports in which residents of the harbour town complained that air pollution was having a large effect on people's health.

Mondi and Indian Ocean Fertilizers were cited as the two biggest causes of the air pollution.

In the statement the company said "While the concern of pressure groups in the Richards Bay area is understandable, their identification of Mondi as a major villain is mistaken and emotionally based on the assumption that because our emissions are odorous they are dangerous."

The company said the pulp mill would always generate some odour in the form of organic chemical compounds known as reduced sulphides.

ORGANIC DELAY

These gases were present naturally at low levels as they were generated from vegetative and organic decay, particularly in marsh areas. However, due to the very much larger organic wood use in the pulp mill, they were generated to a greater extent in the mill's processing operations.

Besides their characteristic smell, these compounds had another unique property — the smell threshold was extremely low and they could be detected by the average person at levels as low as one part to 500 million parts of air.

These compounds had been generated by kraft pulp mills — such as the company's plant at Richards Bay — for more than 100 years and despite the unpleasant smell had never been scientifically identified as a public health hazard.

Mondi had paid more than R50 million to install the latest technology to minimize emissions.

In planning the mill, Mondi had commissioned industrial development experts to select the best location.
Europe beckons SA’s timber manufacturers

By Derek Tonmey

The transformation of Europe into one market in 1992 should offer tremendous opportunities for South African timber manufacturers to expand their exports, says S Tucker, managing director of Pretoria-based Yorkcor.

A timber company, Yorkcor has been surprising the share market lately with its recent vitality and rapid profit growth.

Yorkcor is one of the smaller companies on the main board of the JSE.

But it plans to get more attention from investors than it has received in the past. To this end it is increasing its issued share capital from 866,000 shares to 8,880,000 shares by a 10-for-one split.

More marketable

With more shares on offer it hopes to make them more marketable.

Mr Tucker says the European Community market is a difficult one because of archaic specifications and regulations.

Yorkcor’s shares have soared in the past four months from 81c to 210c after an announcement that its profits had risen sharply last year.

But European timber specifications are being harmonised ahead of 1992 and, as a result, he expects the regulations now stopping South African timber from entering Europe to be lifted.

Yorkcor shareholders, who have seen the share price rise by 130 percent this year from 81c to 210c, should be satisfied with the interim results issued last night.

Although turnover rose only 23 percent in the six months to June, net operating income more than doubled, rising from R1,46 million to R3,1 million.

This was the result of operating margins rising 70 percent from 9,8 percent to 18,7 percent and reflects the company’s drive to raise productivity and lift added value.

Net income attributable to shareholders rose 55 percent from R1,11 million, equal to 12,4c a share, to R1,73 million, equal to 19,3c a share.

The interim dividend has been raised by 67 percent from 3c to 5c a share.

The sharp improvement in Yorkcor’s profitability has enabled it to reduce gearing from 35 percent a year ago to 8,8 percent.

At June 30 it had cash resources of R5,6 million and access to unutilised facilities of more than R15 million.

Mr Tucker is happy to have this cash at the present time. It could be used for acquisitions and new projects Yorkcor now has the management to handle this.

In the first half of the year the company spent R2,5 million enhancing its transport fleet and production capacity.

An efficient transport fleet enlarges the area from which a sawmill can draw timber.

Domestic demand

Mr Tucker says there are signs that the actions taken by the Government to cool the economy, together with high interest rates, will dampen the domestic demand for timber over the next six months and beyond.

However, the company expects to meet its earnings target of 30c a share in the year to December on the present issued capital and to pay a dividend of 12c a share.
Productivity boosts Yorkcor earnings 56c.

EDWARD WEST

INCREASED productivity boosted York Timber Organization's (Yorkcor) earnings a share 56c from 12c4c to 19c4c, the results for the timber growers and merchants for the interim period to June show.

Indicating increased productivity, net operating profit increased 114% from R1.4bn to R3.1bn on a modest 23% increase in turnover to R18.6bn.

Yorkcor chairman Solly Tucker said the better productivity was due to more efficient use of raw materials and third-party services.

Interest was R293.9m (R324.9m). Pretax income, including extraordinary items, increased 151% from R1.12bn to R2.9bn.

Taxation, which increased from R2.00bn to R1.69bn, 'whittled profits down to R1.73bn. After income attributable to outside shareholders of R9.9bn, net income was 55% higher at R1.72bn.

Share Split

The debt/equity ratio improved from 33% in the last interim period to 18.5%.

Cash resources of more than R15bn and access to more than R15bn reflect a capacity for internal expansion or acquisitions.

Shareholders yesterday approved the planned 10-for-1 share split in August. The subdivision of shares also facilitated the approval of a share-incentive scheme for staff.

A dividend of 5c (3c) was declared.

Tucker said domestic demand for timber was likely to drop with the rest of the economy in the next six months. However, the group expected to meet the 1991 earnings forecast of 19c a share.

Yorkcor's shares were untraded yesterday at 19c. The shares, more than 80% held by the Tucker family, have seen sustained growth, ranging from 71c in June last year.
Big brother to aid of Cape timber growers

Business Times Reporter

PAPER giant Mondi has taken its R110-million project to plant timber on 60,000 hectares in the Eastern Cape's Ugie, Maclear and Elliot districts a step further.

A "big brother" scheme has been launched to help farmers in the districts grow timber.

Farmers will be given zero-interest loans for planting programmes. Accrued interest and the capital will be paid only when the timber is harvested.

Mondi also agrees to buy timber grown by the farmers at market-related prices.

The scheme is part of the effort by pulp and paper producers Mondi and Sappi to avert a threatened shortage of timber by 2010.

Demand is expected to increase by about 60% in the next 20 years.

Mondi's afforestation programme in the region, backed financially by Anglo American and De Beers, covers mainly land used for summer grazing of cattle and sheep.

Farmers will be able to obtain seedlings from Mondi and they will have access to technical advice while the trees are growing, says Mondi Forestris general manager John Quy.

"We believe the favourable terms will attract wide interest from farmers. They have a guaranteed sale and the appreciation of timber prices has consistently outstripped inflation," he says.

The farmers will benefit from Mondi's scientific programme of tree improvement for hardwoods and softwoods and soil studies.

"Trees can often be grown on marginal soils and on slopes unsuitable for other crops," says Mr Quy.

The forestry branch of the Department of Environmental Affairs has earmarked the district as suitable for development under the national forestry plan and has granted the project planting permits.
Rather late than never — UK paper

LONDON — It might not be too late to avoid the inaction which would spell disaster for South Africa, says The Economist.

In a lengthy leader yesterday, the journal said the erosion of Afrikaner unity and the consequent broadening of the National Party's support among forward-looking whites would make it easier for acting State President Mr. P.W. de Klerk to shift once the election was over.

Outsiders could "nudge him forward by making their handshakes and hospitality conditional on progress in coming to terms with the black majority."

However, said the Economist, if Mr. de Klerk had liberal leanings "he keeps them well hidden."

"But he may be better aware of reality than his old boss was. He knows he must appease opinion abroad, hence his plan to visit Mr. Kaunda."

"He may not understand with equal clarity how badly his tribe needs to come to terms with the disenfranchised black majority at home. His big test will come immediately after the election."

"Then he will be free to release Mr. Mandela from prison, opening the way to unconditional talks with the ANC, without whose participation South Africa will find no peaceful way out of its impasse."

On the question of the election outcome, the magazine says the Nationalists now hold the centre ground of white opinion — "which is why they will probably dominate the next parliament under Mr. de Klerk, even if not as decisively as they did the last one under Mr. Botha."

(Report by S. Lerman, 12/30, Natal Daily, London.)
Novobord spends R80m

Business Times Reporter

SAPPI Novobord, one of the largest producers of particleboard, is celebrating its 35th anniversary with a R80-million expansion programme.

The White River factory will be expanded to meet demand into the next century.

André Jonker, general manager of Sappi Novobord, says: "Worldwide consumption of chipboard has been growing by 10% a year since 1970 and the SA market by 15%.”

Novobord was established in 1954 in Port Elizabeth and its products are used throughout SA in the furniture and building industries. They are also exported.

Apart from fine surface veneer board, particleboard is also overlaid with hard-wearing melamine. Most kitchens are made from this product. It is available in 20 colours, patterns and woodgrains. It is also overlaid with exotic wood veneers for office furniture.

With the commissioning of the White River factory, the staff complement will rise to 940. The company also has factories in Wadeville and Port Elizabeth and its products are sold through 250 outlets.

The new plant has been bought from Stempelkamp in West Germany.
Marathon Everite wage strike ends

Labour Reporter
THE marathon Everite wage strike involving more than 2 000 workers at four plants has ended.

In a joint statement yesterday, Everite and the Construction and Allied Workers' Union (Cawu) said 1 227 of the 2 087 striking workers returned to work yesterday.

The remaining workers at the Kliprivier plant are expected to go back to work next Monday.

The legal strike began on May 29 after conciliation board hearings and mediation failed to narrow the gap between the parties.

Workers demanded an 85-cent across-the-board increase on the minimum hourly wage of R2.85, while the company's final offer tabled on June 22 was set at 50 cents.

The statement said the dispute ended after lengthy negotiations between Cawu and Everite.

The company's Kliprivier, Brackenfell and Durban fibre cement manufacturing plants, along with the Port Elizabeth branch, were affected by the three-month strike.
TEMPEST IN CHINA

- new waves in an ancient sea -

[My thanks to Craig Allen, Walter Reich and David Shambaugh for their invaluable suggestions and comments on earlier drafts of this article.]

Imponderable changes - ones that seasoned China hands could never have dreamed possible twenty years ago - have occurred in the past decade on the People's Republic of China, the world's most populous nation. The 1976 death of Mao Zedong, China's great revolutionary leader since the 1930's, heralded the beginning of this intriguing chapter in China's 2,500 years of recorded history.

There was consensus at Mao's death on the need for policy adjustments to address China's profound economic and political problems. But it was not inevitable that the direction of adjustment would be towards liberalisation. In fact, immediately after Mao's death, the "Gang of Four" attempted to push the country to a further revolutionary extreme before they were ousted by the reformists. The nationwide rejection of the Cultural Revolution - a traumatic and harrowing period that represents the worst of doctrinal and especially Maoist excesses - unquestioningly created a constituency for liberalisation. That reforms of such a previously unthinkable nature and scope have actually been introduced is due to the political williness and tenacity of Deng Xiaoping.

In addressing China's economic and political problems, Deng Xiaoping - chief architect of China's current reforms and a twice-rehabilitated veteran of the "Long March" - has stressed pragmatism and "seeking truth from facts" over zealous observance of ideological principles. His widely-quoted statement, "No matter whether the cat is black or white, if it catches mice, it is a good cat," neatly captures his practical and realistic reformist philosophy. Rhetorically, the reforms' purpose is "socialist modernization with Chinese characteristics"; but reality suggests that whatever means facilitate the emergence of a strong, prosperous China, they will be used. No longer do doctrinal prescriptions apply to reality; reality now informs theory.
Suppliers hit back on building cost claims

SEVERAL companies and trading organisations contest claims that the rising price of materials is the main reason for the increase in building costs.

Business Times carried a report on August 27 quoting the Building Industries Federation of SA (Bifsas) and the SA Property Owners Association (Sapoa) which suggested that sales agreements and monopolistic practices had resulted in the price of some building materials rising by more than the inflation rate.

Bifsas said that with an inflation rate of 12.3% in 1992, the price of stock bricks rose by 29.6%, face bricks by 27.5%, sand by 20.1%, crushed stone by 24.1%, ceramic and floor tiles by 22.6% and cement by 15.6% in the past few years.

In addition, many countries have imposed an export tax on timber for SA.

The percentage mark-up on timber has not changed in the past 10 years in spite of rising interest rates, higher rents and increased fuel costs.

Tata says the problems facing the buyer of imported timber are generally caused by difficulties with exporting countries or the falling rand.

Shua Smeets, consulting engineer for Rosema Bricks in Pretoria, says the price of his company’s bricks has risen by an average of 12.1% in the past 12 months.

Face-brick prices have increased by 19.1% between July last year and the guaranteed price to January next year. Plaster bricks rose in price by 11.9%.
Saacom helps profit growth at Sappi

A strong contribution from Saacom and reasonably good demand from the group’s world markets has enabled Sappi to sustain its strong growth record with a 33 percent increase in earnings — to 315c a share from 230c — and a 45 percent dividend hike to 80c from 55c.

Saacom is included for the full six months of the review period, but as it was only acquired in mid-1993 it did not have as significant an impact on the comparative pro-forma figures for the six months to end-August 1993.

No divisional break-down is given but it must be assumed that having Saacom for the full six months provided a major boost to the group’s figures.

Turnover was up 34 percent to R1.4 billion (R1 billion) and operating income rose 44 percent, to R383.3 million (R267.1 million), reflecting an improvement in margins to 28 percent from 25 percent.

Net finance costs rose a sharp 60 percent to R88.4 million (R46.7 million) and as the directors note, the group is now much more sensitive to interest rate movements than it has been in the past five years.

Reasons for the higher finance charges include significantly higher interest rates, increased borrowings due to the redemption of pref shares in Sappi Ltd and a general tendency for customers to forego prompt payment discounts in favour of longer credit terms.

The tax charge of R8 million (equivalent to a rate of 2.4 percent) was just 11 percent ahead of the previous interim’s R7.2 million.

Attributable income was up 49 percent to R352.7 million (R196.2 million) which was equivalent to 33 percent improvement on the enlarged share base.

Commenting on the results, MD Eugene van As states that demand for Sappi’s products in world markets has remained strong except for newsprint which has experienced the excess supply which Sappi forecast earlier this year.

“In the domestic market, demand for fine papers has been poor as merchants adjusted stocks downwards. In commodity products demand has held up well.”
BURIAL BAN INHUMANS SAYS MRS MARCOS

UNILINGUING President Marcos again calls for the return of the cemeteries to the private domain, as he rejects the idea that cemeteries can be considered part of national heritage.

OCTOBER 25, 1986

By Annie Johnson

For the President, his wife, and their children, the decision to return the cemeteries to their private domain is a reflection of his belief in the importance of personal space and privacy.

The Marcos administration has long been accused of imposing restrictions on private property rights, particularly in the context of the Marcos family's wealth and influence. The decision to return the cemeteries to their private domain is seen by some as an attempt to assert control over what is perceived as a private space.

The Marcos family has a long history of controversy, with allegations of corruption and misuse of government resources. The return of the cemeteries to their private domain is likely to be met with significant resistance from those who believe in the importance of national heritage and the need to protect public spaces from private interests.

THE PHILIPPINE TIMES
Mill effluent not ‘poison’

Fish were suffocated, says paper company

The Ngodwana paper mill in the Eastern Transvaal has caused an outcry over an effluent spill into the Elands River over the weekend that killed thousands of fish and raised fears that the spill was toxic. Completed in 1983, the mill has become the central point of the small town near Nelspruit. PAULA FRAY reports.

In the early hours of Saturday, an effluent spill entered a storm-water drain at the Ngodwana Mill bypassing the mill’s effluent control system. The spill was undetected until spotted during routine monitoring.

At this stage, some of the effluent, which consisted of ligno-sulphonates and soap slimming, had entered the Elands River.

This is, according to Sappi Ltd managing director Mr Eugene van As, what happened over the weekend before local residents found thousands of dead fish in the river and its tributaries, raising fears among the local residents that the water is contaminated.

According to van As, the effluent is not toxic but the elements consumed much of the river’s oxygen, largely because of the soap slimming.

The fish died as a result of oxygen deficiency at the source of the spill.

Although the company does not have any water samples being flown up to the CSIR for detailed analysis, Mr van As said he had the spill entered a storm-water drain and bypassed the mill’s effluent control system completely. It was therefore uncounted for some time, leading to indications that effluent in the storm-water drain and the drain was minimally closed.

If the effluent spill was initially unnoticed, the smell accompanying the water was not.

Residents and visitors complain of the “putrid” smell of sulphur throughout the area.

Local fears are that the spill will unbalance the ecosystem and it is not yet known what the effect will eventually be on the environment.

Residents and environmentalists have reacted with outrage.

However, according to Mr Peter Ashton, the programme manager of water quality information systems at the division of water technology at the CSIR, the ecosystem should balance out “fairly quickly”.

Concentrated

He said the compounds had an oxygen deficiency effect. “If the effluent was accidentally discharged into the river, it would have a heavy demand on oxygen.”

He said fish and other life in the river would suffocate. However, he added, the river had many tributaries which had similar life forms. If the animal life in one part of the river died, it would be replenished from the others.

This was, he said, what happened when rivers dried up during drought.

The mill processes up to 7 000 tons of wood a day — about 500 thousand cubic meters — and both paper and pulp mills in the world and the largest single private sector investment in South Africa.

When Sappi started production of pulp and paper 50 years ago, waste water was limited. Effluent disposal was a major problem and, because there were virtually no natural resources, straw had to be used as the basic fibre resource.

Against this background, Sappi has established itself as a world leader in water conservation and effluent control,” said Sappi’s information booklet.

No effluent

“Making use of Sappi-developed technology, combined with the state-of-the-art plant, Ngodwana is also the world’s only bleached kraft pulp and paper mill that discharges no effluent into the local river system.”

A dam has been specifically built on the Ngodwana river to provide a continuous supply of water to the mill.

As the effect of the effluent spill in the Elands River takes its toll, workers remove hundreds of dead fish from the water.

Picture by Clive Johnson

Using Sappi-developed conservation technology, Ngodwana mill uses some 75 percent less water per ton of paper than world industry standards.

According to McGregor and the Environmental Protection Agency, a large part of a tree harvested for pulp, paper or lumber becomes waste. Finially, pulp and paper mill discharge effluent containing about 50 percent of the raw waste from the wood industry.

This waste has great potential and is usually destroyed by burning.

That is not the first time the mill has been the centre of controversy.

In November 1987, a huge blast rippled through the mill, injuring 49 people and causing extensive damage. The explosion, which occurred in the chemical storage area, was then described as an industrial incident and sabotage was not suspected.

The paper, Wood and Allied Workers’ Union (Pawu) claimed then that Sappi was trying to “cover up the extent and cause of the blast.”

Search for peace not war over...
Probe into Sappi spill

AN INDEPENDENT commission of inquiry had been appointed to investigate the spill of process liquid into the Ngodwana and Elands River, Sappi announced yesterday.

The spill, which occurred on Saturday, caused water pollution problems and resulted in the death of thousands of fish and the Nelspruit Town Council switching off pumps drawing water for domestic use.

Sappi said the four-man commission would be headed by environmental conservationist and Cape ichthyologist Douglas Hey. Other members would be Prof. Michael Bruton, director of the J.L.B. Smith Institute of Ichthyology in Grahamstown, Salmon Joubert, head of the Kruger National Park, and Jane Harris, project leader water quality information systems of the CSIR's division of water technology.

The commission would determine the immediate impact of the spill and remedial action, investigate medium and long-term effects and make recommendations.

Sappi said a team of scientists from Pretoria conducted an aerial survey of a stretch of about 60km of river downstream from Sappi's Ngodwana mill yesterday morning to determine the extent of the pollution and to see how far downstream the effluent had moved.

They spotted the effluent moving through the Karmo rapids. There were some dead fish near Nelspruit, but in the Kruger Park there were no signs of pollution.

Sappi reiterated that a thorough investigation was being conducted.
Sappi may face charges over fires of death
Sappi spill 'will miss Kruger'

THE Sappi chemical spill will not affect Kruger National Park, chief research officer Willem Gertenbach said yesterday.

He said dead fish found on the western boundary of the park on Friday could have died higher up in the Crocodile River and drifted down.

This would probably be the only effect of the spill on the park. Thousands of fish have been killed higher up in the Crocodile River and its tributaries, near Sappi's Ngodwana paper mill.

Conservationists claim the spill wiped out all aquatic life along a 20km stretch of the Elands River.

But Gertenbach said that so far the chemicals had been diluted to such an extent that by the time they entered the Kruger Park they posed no danger.

Nevertheless, park officials would continue to sample river water at least four times a day during the next week before resuming the normal monitoring schedule.

Reacting to weekend reports of charges laid by the Department of Nature Conservation against Sappi, a Sappi spokesman said a court order had not yet been served.

He denied allegations that the spill had polluted the Nels River, which he said was upstream from the mill.

Department of Water Affairs Highveld representative Nolliie Ellis confirmed that reports of pollution and dead fish in the Nels River were being investigated.

An independent commission of inquiry into the spill is set to meet tomorrow.

Appointed by Sappi, the commission is headed by Cape Town University environmental conservationist Douglas Hey.

It includes the JLB Smith Institute of Ichthyology's Michael Bruton, Kruger National Park chief warden Salmon Joubert and CSIR water technology division representative Jane Harris.

Funnyman's income is far from Fawlty

LONDON — Funnyman John Cleese is
Sappi donates R2.5m for conservation

SAPPi is to donate R2.5m to the South African Nature Foundation (SANF) today for the creation of a unique conservation area in Maputaland.

Sappi said the money was a gift to celebrate SANF's 21st anniversary, which coincided with the 25th anniversary of the World Wide Fund for Nature.

"The R2.5m donation, will go towards the creation of a unique conservation area in Maputaland. It will link up the Kosi Lake system, Lake Sibayi and the world famous Maputaland turtle nesting beaches and dunes south to Sodwana bay and inland along the Mozambique border, including the Nduma Game Reserve and Tembe Elephant Reserve," Sappi said.

Conservation of this area was of "international importance" because of the diversity of ecosystems and habitats which supported many animal and bird species.

"Sappi said it had developed an innovative scheme to back the donation. This entailed raising funds for conservation by selling a limited edition of 325 signed and numbered prints by wildlife artist Gall Darroll."
Industry could create 150 000 new jobs

Green light for forestry

By Bruce Witman

The capital value of each plantation herd

The capital value of each plantation herd

Increase per year — which it pays to invest

The Plan Forestry

The Plan Forestry

The Plan Forestry

The Plan Forestry

The Plan Forestry

The Plan Forestry
Timber-price increase threatens exporters

By Don Robertson

A TEMPORARY timber surplus will not stop the State Forest Department from increasing prices of saw logs by 30% in the new year.

The surplus, particularly of gum and pine, has developed in the past few months because of several factors.

The low gold price from about June forced mines to reduce their timber intake and two marginal mines closed, resulting in a surplus of about 50,000 tons which went to pulp mills.

Problems

The dry spell, one of the worst in the past 25 years in some areas, allowed growers to fell and move more timber than usual, adding to the oversupply.

![Image](https://via.placeholder.com/150)

Peter Keyworth, general manager of Natal Co-operative Timber, says technical problems at Mondi's Richards Bay plant and, with the debarker at Durban's Merchant Factory, aggravated the problem.

In October, all yards were so full that they accepting only wood that could go straight into the chippers. As a result, some vehicles had to wait for up to 10 hours to be offloaded.

However, there are indications that some stockpiles have fallen and mines are starting to buy. The export of logs and chips has also increased.

The State's decision to increase the price of logs will have far-reaching effects.

The Timber Products Export Manufacturers Association is concerned because the higher log prices will force furniture manufacturers out of the export market.

The market is worth about R80 million a year.

The association says higher prices of pine will reduce SA competitiveness. Pine makes up 35% of the price of furniture.

The fear is that increases of this magnitude will not be accepted in Western Europe and it will switch to Eastern block countries for supplies.

Cas Pretorius, managing director of Popular Furniture Manufacturers, says Russia, Romania, Poland, Bulgaria, Hungary and Yugoslavia are extending trade with other Western nations. Much of it is in barter deals, which allow them to subsidise exports by making profits on imports.

Confident

In the past year, the price of timber has been increased by 27% forcing the closure of about 10 factories in SA and Swaziland and putting thousands of people out of work, says Mr Pretorius.

- The BC Furniture & Wood Products Association, of which Mr Pretorius is secretary, has appealed to Trade and Industry Minister Kent Durr to establish a committee to investigate the industry's problems.

"Several people in the timber industry are worried. The pulp industry requires pine for raw material, builders need timber and we require it for exports," says Mr Pretorius.

"Should no agreement be reached, more jobs could be lost. The pulp factories could outbid us all for timber.

"We are confident that if the State plays its role correctly, a solution can be found to accommodate everybody and enable us to entrenched ourselves in the European market."

Pine furniture manufacture helps SA in many ways, says Mr Pretorius.

"It is labour intensive, it teaches people skills and it adds value to raw materials which are replaceable."
The star is surrounded by a ring of dust and gas, which is thought to be the birthplace of new planets. The theory is that this is the same type of mechanism that created the solar system billions of years ago. The study of these protoplanetary disks is crucial to understanding the formation of new solar systems.

The team used space telescopes to observe the star and its surroundings. They detected a strong signal of water in the protoplanetary disk around the star. This is the first time that water has been detected in such a disk, and it provides important clues about the composition of new planets.

The findings have implications for our understanding of the formation of new solar systems and the origin of life. Water is essential for life as we know it, and its presence in these protoplanetary disks suggests that similar conditions may exist elsewhere in the universe.

The team is optimistic about the future of space science. They believe that continued study of protoplanetary disks will lead to even more discoveries about the origins of life and the formation of new solar systems. The next step is to analyze the data in more detail and to compare it with other observations to further refine our understanding of these fascinating objects.

In conclusion, the study of protoplanetary disks is a crucial area of research for understanding the origins of new planets and the formation of new solar systems. The team's findings have provided important insights into these processes and have opened up new avenues for research. With continued efforts in this field, we can expect even more exciting discoveries in the future.
Pine-price increase after privatisation

TIMBER merchants fear that the price of pine may be increased by as much as 35% in the new year and that a shortage of building material could develop.

The Department of Environmental Affairs plans to lift log prices by between 20.5% and 31.5% soon. Prices have risen by more than 46% in the past three years.

The latest price increase will be caused by the decision to privatise forests and establish a State forestry corporation. Approval in principle of the privatisation of State forests was given in the middle of December, but interested parties have until January 31 to make comments or representations to the Government.

Ominous

The State controls about 29% of the forests in SA, but 71% of its timber is produced in sawlogs which are used in the construction industry.

The main protagonist in the price issue is the SA Lumber Miller's Association (Salma), which has asked for urgent discussions with the Government. It hopes that the "staggering" price increase averaging 25% will not be implemented.

Salma executive director Andries Swart says there are ominous signs that timber growers are switching to supplying the pulp and paper industry.

It takes only 15 to 18 years to grow trees for pulp production, but 30 to 35 years for pine of a suitable size and quality for the building industry.

Dane Jacobs, director of wood production at the Department of Environmental Affairs, says it is necessary to increase the price of SA pine if the future of producers is to be secure.

Inflation

Mr Swart believes that the increases now envisaged will be even higher because lumber mills will lift their prices to keep abreast of inflation.

He fears that prices could reach the "mad thirties".

Although he agrees that timber growers should be encouraged, he says drastic price increases over the short term could do the industry more harm than good.

Bill Smith, director of the Association of Wood Merchants, is shocked at the price increases planned by the State. He believes they will cause building prices to rocket and builders of low-cost housing might be forced to switch to steel.

The increases could also hamper the export of pine products, estimated to be worth R600-million a year.

The Timber Products Export Manufacturers Association believes that higher log prices will force furniture makers out of the export market. It fears that increases of this proportion will not be accepted in Western Europe and that orders will be switched to Eastern bloc countries which are able to profit from barter deals.

Cas Prutore, secretary of the BC Furniture & Wood Products Association, which is involved in the export of pine products, has asked the Government to establish a committee to investigate the industry's problems.

He says that in the past year the price of timber has been increased by 27%, forcing about 10 factories in SA and Swaziland to close at a cost of thousands of jobs.

Cool for Kendal

COOLING specialist DB Thermal will soon complete its 2 000th heat exchanger for the world's largest dry-cooling power station, Kendal.

The 2 000 heat exchangers have used 8 000 km of elliptical tubing and 36 800 m² of fin strip, sufficient to circle the equator 0.5 times or reach the moon.

In all, 3 000 heat exchanger will be built and will be arranged in six draught-cooling towers. When completed, they will provide a heat exchange surface of 11km².

The exchangers are assembled at a rate of about 12 a week at DB's Nigel workshops which contain the fibreglass, assembly and specialised galvanising plant necessary for the 15m long elliptical tubes.
Lumber millers dismayed at govt’s decision to up log prices

GOVERNMENT's decision to increase log prices by an average of 29.8% in the new year was greeted with dismay by the SA Lumber Millers' Association (SALMA).

The millers are also faced with a 19% hike in transport costs announced this week by Sats.

Salma executive director Andries Swart said yesterday "We as sawmillers do not see our way clear to paying these new prices.

He believed the price increase could do the industry "more harm than good" by endangering SA's exports while encouraging imports.

Also affected was the building industry, which had been damaged by substantial bond increases during the year.

"Sawn timber is a non-replaceable building material, along with bricks and mortar. The building industry is already in a down-phase and cannot afford this added burden," he said.

Association of Wood Merchants Director Bill Smith feared "contractors might turn away from wood and opt for steel."

The forestry branch of the Environmental Affairs Department was supposed to serve 120 days' notice to sawmillers before any price increase was implemented, according to a contract between the two.

This contract was currently under revision and the notice had never been served, Swart said.

Government was trying to impose the increase by slotting it into the new contract, he said.

Government's justification of its price increase was "three-pronged", said forest products director John Harris.

Harris said "in the first place, the price of prime logs is now being included in the log mix with other grades of wood. Also, our proposed increase is in line with only 90% of the anticipated CPI, and we are attempting to recover the backlog we have lost since 1989 in subsidising the industry."

The state was asking sawmillers only to return 30% of the subsidisation, he said.

Negotiations between government and sawmillers are under way.
Industrial holding company Hunt Leuchars & Hepburn (HLH) is unlikely to report more than a moderate increase in earnings in the current year to end-March 1990 according to stockbrokers.

They point out that the economy is now noticeably slowing down and the latest increases in interest rates are expected to place further downward pressure on consumer spending.

HLH, established in 1850, is 78 percent owned by Huntcor which in turn is 65 percent held by the giant Rembrandt Group. HLH has a 50 percent interest in HL & H Timber Holdings and Transvaal Suiker and CGP Investments.

The latter company manufactures and distributes grocery and household products through its subsidiary Robertsons. Since year-end the group acquired a strategic 25 percent stake in listed food group Rainbow Chicken.

In the six months to September, group turnover increased 18 percent from R178.3 million to R212.1 million. Operating income grew a slightly higher 19 percent to R442.2 million, compared with R371.1 million in the six months to September 1989.

This is mainly due to the excellent performance of the group's sugar interests which partly compensated for the lower growth in the food and household products activities.

The interest bill soared 35 percent from R2.7 million to R3.6 million due to higher interest rates and increased average borrowings.

Operating income before tax increased 18 percent from R34.5 million to R40.5 million. A decline in the effective tax rate on operating income from 48 percent to 47 percent, allowed operating income after tax to rise 21 percent from R17.9 million to R21.6 million.

Non-operating after-tax income dropped drastically from R6.1 million to R4.4 million due to the utilisation of cash to partly fund the investment in Rainbow Chicken which provided no dividend income for the period.

At the same time, no income was attributable to outside shareholders compared with R2.7 million in the previous interim period and the share of net income retained by associated companies jumped from R8.5 million to R15.7 million.

As a result, group attributable profit climbed 28 percent from R31.8 million to R40.7 million.

The rights issue in June, partly to fund the acquisition of the investment in Rainbow Chicken, increased the number of shares in issue. This limited earnings growth to 23 percent from 28.2c a share to 36c.

The interim dividend was raised 20 percent from 10c a share to 12c.

The balance sheet at September 30 showed interest-bearing debt, excluding debentures, as representing 7 percent of shareholders' funds, indicating the group's strong financial position.

Investment in associated companies increased from R191.8 million to R276.6 million, mainly as a result of the interest acquired in Rainbow Chicken. HLH, priced at 875c, is trading on a price-earnings ratio of 11.6 and provides a dividend yield of 3 percent. In view of the relatively high rating and the poor outlook for the economy, stockbrokers are not recommending accumulation of the share for at least the next six months.
MANUFACTURING — WOOD & CORK

1990
Yorkcor’s earnings a share show 35% rise

ZILLA EFRAT

YORKCOR’s earnings a share are up 35% for the year to December.

The group, ranked number one in the Sunday Times 1989 Top 100 companies on the basis of shareholder wealth creation, achieved earnings of R2.1c (51c) a share, up on the forecasted 85c a share.

A dividend of 13c (10c) a share has been declared, covered 3.3 times.

On a 6.5% growth in turnover to R367m (R338.2m), net operating profits were up 8.8% to R56.8m (R51.4m).

The group invested R7.1m in capital expenditure, of which 80% was for expansion and the New York Pine acquisition. It showed a return on total capital employed of 23.4% (24.6%).

With a gearing of 19% (21%), Yorkcor completed the year with distributable reserves of R106m (R76.8m). Net borrowing rose to R5.3m (R2.4m). Net interest cover improved to 7.3 (5.9) times.

In his annual review, chairman Solly Tucker says a downturn is expected in the first half of the current year and, at best, business may pick up gradually in the second half. However, moves have been made to pre-empt these challenges through structural changes, including discontinuing the Pretoria truss operations and investment in additional value-added manufacturing capacity.

Uncertainties have been created by the State’s increase in log prices, its proposed new long-term saw log contracts and the National Forestry Corporation. These make it unusually difficult to forecast results for the current year, says Tucker.
SAPPI and Deloittes, Haskins & Sells are embroiled in a row with Inland Revenue over a plantation scheme involving tens of millions of rands.

On Friday, Commissioner for Inland Revenue James Hatting announced an investigation into plantation financing. The investigation would probe schemes allowing investment in plantations by way of membership in a partnership for tax benefits.

Reacting to Friday's announcement, Deloittes associate director Trevor McGlashan said the firm was not involved in such schemes.

He confirmed that Deloittes was involved with Sappi in developing timber investment projects, but said these had been set up so that disregarding income tax implications — the returns over the 10-year period were attractive to investors.

"In fact," said McGlashan, "we have been approached by people who want us to establish farming projects for them and they have been surprised at the high returns we demand for our investors."

"If a project does not stand up as a good investment on its own, then we are not interested in it and would not recommend it for our clients.

"Certainly, other schemes are entirely tax driven, and I doubt that they would stand up to scrutiny by the Receiver."

"We at Deloittes do not tout our schemes claiming deductions like those mentioned by the Commissioner in his Press release, that is, for a R5,6m investment you can deduct R20m.

"However, the size of the deduction may well be linked to the period of the investment, and be entirely within the requirements set by the Income Tax Act."

"Furthermore, since both Deloittes' name and that of Sappi are involved in these projects, they are scrutinised in detail before our practice management committee allows them to go ahead."

"It is disturbing to hear that the commissioner had decided to cast his net so wide as to cover both genuine and tax driven instruments, since if the genuine schemes are to be stopped, there will be a dramatic cutback in areas of timber planted."

"The effect of this would be to drive paper prices "right through the ceiling, with a major inflationary effect all round."

McGlashan said that the Sappi project had involved eucalyptus, which would be used in the mining industry, and "was therefore essential to the economy of SA."
Plantation probe aimed at protecting investors

INLAND Revenue commissioner Hannes Hattingh yesterday said his announcement to investigate plantation schemes had been timed as a warning before the end of this tax year on February 28.

"Thus," Hattingh says, "is to warn investors of the possible pitfalls. A number of schemes are currently being "sold" into the market, offering some of the most attractive tax shelters ever. Some schemes offer an up-front tax deduction of up to seven times the amount invested.

The schemes— which vary widely in structure— have been in existence for the past two tax years.

Inland Revenue has been criticised for not making a statement earlier on the schemes; its statement last week Friday has been generally interpreted as a "smokescreen" to scare investors off.

The very deepest fear is that the announcement was a precurser to a statement of retroactive law, perhaps in the March 14 Budget.

Hattingh says the amounts involved could be very large. The forestry industry—which often seems a sideline to the tax scheme—last year turned over R6bn and produced R1,5bn in hard foreign currency.

About 1% of SA's 1.2-million hectares is commercially afforested. According to the Forest Owners' Association, this will have to double over the next 20 years to cope with projected demand. A forecast prepared for the Forestry Council says the industry faces a 50% demand-increase over that period.

The overall status of the timber industry is complicated by government's proposal to turn its forests over to a state corporation. Industry experts say this will mean higher timber prices.

It is the very long-term nature of timber investment—before sales are first made—that appears to have confused prevailing tax law.

In an example quoted by Hattingh, for a cash investment of R3,5m, investors seek to deduct R2,9m from their taxable income in the year of investment.

The deduction is 5,7% of the investment—highly desirable to any taxpayer with sufficient taxable income to shelter.

But the proponent of the particular scheme, who asked not to be identified, says it is different to the Deloitte scheme, and is convinced this lies within the law.

It was given the blessing of a Senior Counsel advocate, who naturally cautioned that the only wild card was Inland Revenue's attitude to reality rather than law.

Hattingh admits that he is concerned purely with the tax elements of the schemes, the fact that there is a timber supply shortage looming is not in his domain. "If that is the case," he says, "why should other taxpayers have to pay for it?"

The main principle applied in the plantation tax schemes is gearing—the use of debt. There are three main parties, the investors (taxpayers), a managing partner (middleman), and professional plantation managers.

In the case cited, investors borrow 85% of the money. It is estimated that the first revenues will be produced in about 15 years time.

To secure repayment, the investors issue a promissory note to those institutions. In turn, this is secured by a pre-1998 pure endowment policy.

The amount on the promissory note is essentially the amount borrowed, plus compounded interest.

Here is the crucial point in tax law, an expense need only be incurred (and not necessarily settled) for it to be tax-deductible. Hence the outlay of R3,5m (which goes to the plantation managers, partnership management and cost of the endowment) gives rise to an up-front deduction of R2,9m.

The Deloitte scheme works on a different basis, and is essentially aimed at funding investors' retirement. The deduction factor, according to Deloitte's Trevor McGlashan, is only about two times.

He says, "Certainly, other schemes may be tax-driven and I doubt that they would stand up to scrutiny by the Revenue.

"However, the size of the deduction may well be linked to the period of the investment and be entirely within the requirements set by the Income Tax Act."

Middleman

Moreover, Deloitte, as the middleman between investor and plantation manager, keeps at more than arm's length from the latter.

Sappi MD Eugene van As explains: "Sappi act as the plantation manager for certain groups of people who invest in a scheme managed by Deloitte."

"Sappi provides the land on a leasehold basis, plants the trees and guarantees to buy the timber at market prices at the end of the rotation."

There is no way Sappi can be involved in any discussions on these schemes with Inland Revenue, says Van As, because Sappi has no involvement in the scheme other than a fee for plantation management.

Seen from another perspective, the tax consequences in the Deloitte scheme are regarded as incidental. Mr. McGlashan says the aim was that the project's returns would be attractive over the 10 year period.

Attorney Hennie van der Merwe's Dame Erasmus also says he hopes Hattingh's announcement will not end with taxpayers voting for the finalisation of assessments and the outcome of objections.
No agreement yet in sawmill strike

By DAVID YUTAR
Labour Reporter

THE STRIKE by workers at the Stellenbosch factory of Brupy Sawmills Cape has entered its second week with no sign of an agreement between management and the Paper, Printing, Wood and Allied Workers Union, (Ppawu) being reached.

About 350 workers from the Stellenbosch plant and 80 at the Elgin plant have been striking since Wednesday last week.

The dispute is over wage increases and conditions of employment.

BROKEN DOWN

Negotiations started last October but have repeatedly broken down.

Yesterday striking workers picketed outside the Stellenbosch plant after management obtained a court order prohibiting them from entering the premises and intimidating employees who wished to work.

A spokesman for the union said it was dissatisfied with the court order as it wanted to settle the matter out of court.
increases should decline, Smith says. Metpol's has kept its cost ratio as low as some of the larger, white-orientated life offices.

Investors may fear that the client base, though growing fast, is more heavily exposed to Aids. Smith replies that in most universal life policies the premium may be flexibly appropriated to either the life cover or the investment. In an epidemic, bonuses from investment would be smaller, but it would then be unacceptable to continue increasing dividends. Metpol has strict selection and exclusion procedures and large amounts have been placed in undisclosed reserves.

Last year, the transfer to long-term reserves, which encompasses the undisclosed and the Aids reserves, rose 45%. Smith says Metpol has had only about five Aids-related claims so far and statistics indicate that if no cure is found for Aids, an epidemic would only occur from 1996. Investors have not started to discount that spectre.

Investment assets rose 19% to £1.6bn. After the abolition of 40% prescribed assets, the holdings of semi-government stocks fell two-thirds. Smith says it is likely to be reduced further this year. Unlike some life offices, Metpol has not introduced a 100% equity-li ked policy. Smith believes a more balanced portfolio with equity content is wiser.

The message that blacks will increasingly receive is that, for growth in savings, no alternatives to life companies and unit trusts have appeared. Metpol is well placed in a growth market.

**State threat**

**Activities:** Sawmiller, manufacturer with wood and property developer.

**Control:** Tucker family

**Chairman and CE:** S Tucker.

**Capital structure:** 8.9m ord 1 Market capitalisation: £22.4m.

**Share market:** Price 250c. Yields 5.2% on dividend. 16.8% on earnings: PE ratio, 5.8;

cover, 3.2: 12-month high, 300c; low, 126c

**Trading volume last quarter, 1,474,000 shares**

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**York Timber**

The publication of draft legislation last December for the National Forestry Corp to run the timber interests of the State apparently means trouble for sawmillers like Yorkcor Chairman Sally Tucker says the forestry branch of the Department of Environmental Affairs has also proposed a new "dictatorial" contract which, inter alia, provides for sawlog price increases averaging 29.6%.

Failure to agree to the contract may trigger a five-year termination of existing contracts, which, he says, breaches the express covenant of security of tenure underlying all long-term sawlog contracts.

The price increase, at a time when demand for timber has softened, would follow large rises negotiated in the past few years. Tucker says market conditions in the second, normally stronger half, turned down sharply. Accordingly, the industry's export organis-
tion more than doubled its intake in the second half but Tucker feels it should always operate robustly, not just in times of oversupply.

Yorkoor's turnover and operating profit last year rose only 6.6% and 8.8% respectively. Capex swelled to R7.3m on expansions and the acquisition of furniture maker New York Pine. EPS rose 36%, partly because of a decline in the tax rate to 25% (39%) on higher export and other allowances. Gearing doubled to 0.24 but the pre-interest margin was higher at 16.2% (15.9%).

The results follow the 36% EPS increase in the 1989 year and the recovery from losses in 1986. Underperforming operations have been discontinued, rendering Yorkoor less vulnerable to cyclicalities and it is emphasising programmes to add value and export. But, given the decline in building and construction, which accounts for 60% of SA softwood consumption, and uncertainties regarding State sawlogs, he says "it would be sanguine to expect an improvement on the 1989 results". Though optimistic on the current year, because of the uncertainties he deviates from tradition by giving no precise forecast—a disappointment even though his past forecasts have often been wide of the mark. Yorkoor was ranked first in the Sunday Times Top 100 companies based on shareholder wealth creation, because of the 243% rise in the share price to September 30 1989 (adjusted for the split, from 81.5c to 280c). This, Tucker admits, was off a low base. The 10-for-one split also helped. Tucker believes it stimulated interest and activity. Adjusted for the split, trading volumes rose from 50,000 in calendar 1988 to 337,000. However, the price has dropped to 250c since September. Though the results may continue to improve, the share's sparkling performance seems over for the moment.
TIMBER

At loggerheads

After more than a month of haggling there is still no peace in the timber industry. Lumber millers—who buy logs from the State and turn them into sawn timber—and State suppliers still cannot see eye to eye on the latest price hike (Business January 12)

Environment & Water Affairs Minister Gert Koltó and the SA Lumber Millers’ Association met last week but the only thing decided was that more talks are needed.

The continuous argument is being confused by complicated legal wranglings over the contract terms for the sale of sawlogs by the State. Millers claim that the State is demanding a 29.5% increase but John Harris, director of forest products at the Department of Environment, maintains the increase is only 26.5%

Whatever it is, millers have rejected it. In a dramatic gesture of defiance last month, aimed at forcing government to the bargaining table, they announced they would not be buying any timber at the new prices. They now buy 25% of their timber from the State.

“The State has no right to impose its will on us,” says Andries Swart, the association’s executive director. “We want to sit around a table and negotiate, as we have always done. We want the State to spell out the reasons for its higher prices.”

Harris maintains only annual price rises are negotiable, not the base price set at the beginning of each five-year period. Because 1990 is the start of another five-year cycle, he argues that the State has the right to revise its conditions of contract. It is using that right to set a new base price for its timber, change the volume that each miller can buy, and reduce the credit given to millers from 120 to 30 days.

“We don’t have a contract with the association but with individual millers who may be members of the association,” Harris says. “They have until March 31 to decide whether to pay the new prices and then inform us—and not through newspapers.”

Against lumber millers’ wails of price extortion, the State claims that it’s making up for the low increases it took in the past in order to “subsidise” millers.

Swart says. “It’s nonsense for the State to claim it experienced a price backlog. It charged what the market could bear and those were negotiated increases.”

He has found an unexpected ally in Mike Edwards, executive director of the Forest Owners’ Association, who says: “I don’t believe that anyone can justify price increases on what he didn’t get in the past. I feel there’s more to it than meets the eye. It has to do with transforming the State’s plantations into a State corporation (a plan announced in December).”

Charlie Cobb, a prominent timber merchant and former chairman of the Timber and Allied Trades Association, has little sympathy for millers. “They claim that Salma (the millers association) doesn’t set timber prices anymore, that individual mills do. But when one compares the price lists of the individual mills, there is no difference between them.”
300 sawmill workers to continue strike?  

Staff Report

MORE THAN 300 workers at Brandy's Stellenbosch and Elgin sawmills have been on strike for more than a month and will decide today whether to continue with the strike.

A Paper, Printing, Wood and Allied Workers' Union (Ppwaun) organiser said yesterday that management was prepared to offer only a production bonus, not to move on the demands of the workers.

The organiser said workers had dropped some of their bonus and medical-aid demands and were demanding a 90-cents-an-hour wage increase.

Workers went on strike on February 7 and a week later management obtained a court order prohibiting them from entering the premises and intimidating other employees.
Long-term prospects better...
SA moving fast to beat global forest products shortage

The SA forests and forestry products industry, a major contributor to GDP with turnover of at least R5.5bn expected this year, is faced with many challenges.

Worldwide, trade in forest products is worth more than R200bn (in 1997 ranks) a year. But a global timber shortage looms on the horizon. SA, with only 1% of its land under forestry, compares unfavourably with other countries. For example, 32% of the world’s land area is under forests, while the figure for Africa is 24%.

When the possibility of SA timber shortages was forecast for the turn of the century, the local industry accelerated afforestation programmes and developed sophisticated planting and growing techniques.

There has been a dramatic rise in local afforestation, but Forest Owners Association director Mike Edwards says this has gone a long way to meet projected demands, more planting still needs to be done.

**Extensive**

Sappi’s Eugene van As says reduced demand for mining timber has increased the short- to available supplies of hardwoods.

Further, a surplus in softwood exists, but Van As says SA still needs to plant more of these trees to avoid a shortage by the turn of the century.

Sappi and Mondi are involved in extensive afforestation programmes:

Mondi executive chairman Tony Trabat says Mondi’s move into the north eastern Cape is the major step forward into afforestation in recent years. The programme has extended to 80,000ha, of which 60,000ha will be afforested.

Sappi is continually increasing its planting and re-planting programmes, with about 25,000ha in 1999 after the 22,000ha planted last year.

Another challenge to the industry is weather and how the state’s forestry interests should be privatized. The state owns 25% of SA’s total afforested land and is the largest single grower of softwood timber.

The major timber users are the paper and pulp producers, the mining industry and the lumber millers.

Towards the end of 1999, government gazetted draft legislation proposing the privatization of its timber interests through a State Forestry Corporation.

The industry’s initial response to the proposed corporation was not positive, so government has agreed to appoint independent consultants to investigate alternative ways for privatization.

While the major players in the industry support the concept of privatization, they are unenthusiastic about the proposed forestry corporation.

Edwards and Trabat say privatization must take place on a proper commercial basis and the investigation should be done from a business angle.

Van As says if the state’s forestry interests are sold they could go to one or three large companies leading to more concentration in the industry.

He believes a viable alternative would be for the state to privatize the activities — such as harvesting, planting and transport — surrounding its forestry interests, while still holding ownership of the plantations.

This would create a host of smaller businesses.

- At the moment, paper and pulp producers are facing a cyclical downturn in their markets.
- However, with pulp and paper consumption expected to show future real growth, they say their markets will pick up in two years’ time.
- In the short term, however, international prices for their products are softening and a strengthening rand is expected to place pressure on margins. In addition, local demand has slowed because of the current economic downturn.

**Investigate**

Sappi and Mondi have both faced prolonged industrial action and the Competition Board recently announced it would investigate whether any restrictive practices exist in the paper and pulp products industry.

The mining timber market has recently contracted because of current economic conditions and a lower gold price.

Edwards says in terms of timber use, mining timber is not viewed as a growth market. However, the possibility of substitution has resulted in the mining timber industry developing a whole new range of products.

‘And this has certainly protected the industry against more substitution,” says Edwards.

On the sawn timber side, SA’s lumber millers recently clashed with government on the proposed price increases of sawlogs, which averaged about 25%.

However, SA Lumber Millers Association (Salma) executive director Andries Swart says negotiations are taking place between saw millers and the state forestry branch and indications are that the pricing problems will be resolved.

To meet the long-term demand in pulp and paper products, Sappi and Mondi have been continually making large investments into future capacity.

Sappi expects to spend R600m in capex this year in upgrading and expansion programmes. Mondi’s capex budget is an estimated R500m this year.
Mapping out strategy for 158,000 new jobs

THE local forestry industry could double its present plantation area, construct up to 21 new processing plants and create more than 150,000 new jobs over the next 30 years in terms of the second Strategic Forestry Development Plan.

Drawn up by Department of Environment Affairs' senior specialist consultant (forestry) Dick van der Zel and the Forestry Council's planning committee, it maps out a detailed strategy for meeting growing demand for forest products.

van der Zel estimates demand for roundwood timber will climb by about 2.5% annually until the year 2010 to about 29.3m³ — almost double the current output.

In the report he urges foresters to plan for an expansion of 36,000ha a year, which would be feasible and vital to the industry's continued growth.

The report outlines recommendations on how the SA forestry industry could double its existing 1,120,000ha of commercial forest lands over the next 30 years and identifies 13 priority development areas.

These include four each in Natal and the Eastern Transvaal, two in the Eastern Cape and one each in Transkei, Venda and the Western Cape.

It says an additional 1,132,500ha of forests could be established in these areas without exceeding existing run-off limits or prejudicing other agri-

cultural operations.

The report says afforestation could create 56,000 permanent employment opportunities and a similar number of jobs in wood processing industries, with multiple effects in secondary and service sectors.

The net effect would be to produce an additional 156,000 jobs.

Afforestation will also lift the capital value of each planted hectare to R4,500; adding R4,500 to the national land value and producing additional timber to the value of R7,1bn — more than double the current value.

The report envisages that companies and family farmers will undertake the bulk of the new development. Of the 36,000ha of new forests required annually, the state will plant only 6,000ha.

While taking a 30-year view, the report immediate action, arguing that a backlog of about 192,000ha already exists and up to 40,000 extra hectares need to be planted annually over the next five years.

New saw and board mills are likely to be located in Belville, Krynns, Dombas, Maclear, Kokstad, Umbumkulu, Mamathe, Estcourt, Vryheid, Amatola, Kangwane, Gazankulu, Lebowa and Venda — providing a vital injection to the local economy.

New pulp and paper mills would be situated in the Krynns region, near East London, Transkei, Newcastle, Richards Bay, Piet Retief and Ixopo.

ZILLA EFRAT reports.
Exports take lumber mills out of the woods

...
R100m Investment Nothing To Sneeze At

Expecting strong growth in tissue demand, Nampak Paper is investing R100m in a tissue manufacturing facility at its Klippriver mill north of Johannesburg. 6/10/92 2:13/92.

The plant, supplied by Escher-Wyss, is scheduled to come on stream in September 1991 and will use waste paper as its sole source of raw material.

The waste paper, which is collected nationwide by Nampak Paper Recycling, is sorted, baled and shipped to Nampak Paper’s three paper mills.

Nampak Paper CE Bert Hertson says the waste paper recycling processes at the paper mills are as advanced as any in the world.

The new plant at Klippriver will screen, wash, de-ink and bleach the recycled waste paper to a quality level suitable for high quality toilet-tissue manufacture.

Hertson says: “The new Klippriver facility will enable us to take advantage of the buoyant market for disposable tissue products and to export substantial amounts of tissue from our Bellville mill.”

Nampak Paper currently collects 160,000 tons of waste paper a year and uses recycled material for 90% of its production.

Hertson says the waste paper collection processes used by SA industry compete well with any in the world. At present, about 32% of apparent consumption of paper in SA is recycled, compared with 25% in the UK and 57% in the Netherlands.

“Internationally, the trend is towards improved waste paper treatment technology to manufacture a brighter, stronger paper suitable for a greater number of uses.”
Chipboard industry expects 20% boom

THE chipboard industry, with annual turnover around R500m, is expected to experience real growth of about 20% a year.

Interboard's flatboard division MD Mike Cleniston says increased demand will come from growth in the furniture industry.

With good furniture woods in short supply and becoming more expensive, veneered chipboard is fast becoming an attractive substitute.

Further down the road, he expects growth to come from the low-cost housing market.

He says veneered chipboard is substantially cheaper than wood, and chipboard has some advantages over wood. For example, it does not warp and is usually harder wearing, particularly when finished with melamine.

Chipboard is particularly versatile, as wood, because of its grain, can only be worked in certain directions.

The demand for chipboard has been rising as older trees get scarcer, making it more difficult to find wider widths of wood.

Chipboard experts have also risen rapidly in the last few years, but SA, with a much higher quality of product, is not always price competitive on international markets, says Cleniston.

SA producers have also had to face the dumping of vast quantities of chipboard on the international market by some countries.
Survival of the fittest in battle against costs

LOCAL paper merchants, feeling the pinch of the economic downturn, have in recent years been battling escalating operating costs.

But Graphitec CE Fritz Waldeck is optimistic about the long term prospects of the paper market.

However, Waldeck does not foresee real growth in paper merchants' sales in the current year. The economic slowdown has resulted in a short term drop in paper consumption in all printing grades except packaging.

"Clients are not using more than they did last year and in some sectors, such as stationery, business forms and quality printing, they are buying less," he says.

The biggest problem merchants have had to face in recent years is the escalation of costs because of the devaluing rand, higher inflation and soaring interest rates.

In addition, price cutting is rife in the weak market, further negatively affecting operating margins.

As a result, Graphitec, which is part of the Malbakh group, is putting increased attention to improving productivity of each employee and reducing costs in absolute terms.

Waldeck says until the economy picks up — and this is not expected to happen before the second half of next year — it will be a game of survival of the fittest for paper merchants.

He says if paper merchants cannot make an adequate return on investment over a longer period, a further rationalisation could be imposed by the three big groups — Malbakh, AMIC and Nampak — to ensure a better throughput for each merchant.

However, Waldeck is optimistic about the long term prospects for paper merchants, especially because of recent developments in SA.

He expects that once a reasonable stability settles in the country, black school children will return to school.

There are currently 15m black children between one and 20 years old and this number is forecast to jump to 15m by the year 2000.

"If people are to get educated, and especially if they go for higher education, there will be substantial growth in paper consumption," Waldeck says the industry is looking at between 5% to 6% real annual compound growth in the Nineties.
Campaign to promote a career in the woods

The promotion committee of the Forestry Council recently began a major drive to attract job-seekers to the industry.

Promotion committee chairman Bruce Mackenzie says the forestry and forest products industry's skilled manpower requirements have expanded considerably over the past decade. He says the public has, until quite recently, had a low awareness of the forestry industry. One result was that young people tended to overlook forestry when considering a career.

Mackenzie says the need for more skilled employees is vital to ensuring the industry's growth. With this in mind, the committee last year started a campaign to explain the advantages of a forestry career.

The campaign supplements recruitment efforts by forestry companies, the Environment Affairs Department and others in the forestry industry. It is concerned mainly with communicating the attractiveness of a career in forestry.

Mackenzie points out that forestry's manpower needs are not restricted to forestry-related qualifications. Like any other industry, it needs thousands of people with diverse qualifications and skills.
MAKING THE MOST OF SCIENCE WITH "TEST TUBE" TREES

Tree improvement — the science that aims to grow the most valuable forest products as quickly and inexpensively as possible — has advanced to the degree that the work being carried out today would 20 years ago have been dismissed as science fiction.

Mondi Forests, the forestry arm of Mondi Paper Company, has been formally committed to tree improvement since 1988.

Research and development work is carried out in the complex fields of soil science, genetics, biotechnology and clonal forestry.

"We have an urgency of need in SA. The need is being fuelled by expansion, the scarcity of forestry land near our pulp and paper mills and the increasing overall demand for timber in SA," says Mondi Forests R&D manager Neville Denison.

"Also, the fact that we are being forced to afforest more marginal lands where trees have to adapt to a variety of less favourable conditions, places even greater emphasis on the importance of tree improvement and breeding programmes."

Three disciplines of biotechnology are typical of the high technology work being carried out:
- Tissue culture employs complex microscopic techniques to induce roots and shoots to develop from very small pieces of tissue taken from trees with desirable characteristics.
- Sonicate embryogenesis induces small pieces of maternal tree tissue to form "synthetic" seed.
- Protoplast fusion allows the genetic manipulation of isolated single cells from superior trees.

"The strategy is to capitalize on high-performing clones for commercial plantings. We apply sound genetic principles to ensure continued improvement from clonal plantings for future generations of trees."

"He adds that tree improvement is a long-term investment. It is not cheap, and the benefits are not immediately apparent."
Sappi’s annualised net income leaps despite softer market

Companies
Profits get pulped

Dismal news from Sappi MD Eugene van As as SA’s largest pulp and paper maker contends with weakening international paper pulp and newsprint prices and the disadvantages of a stabilising rand. Van As reckons that if prices and exchange rates do not change, Sappi is unlikely to match the last financial year’s earnings this year.

Difficulties really started in the second half when international paper pulp prices started to weaken. International newsprint prices — the benchmark for Sappi’s domestic sales — had been rising all year and pulp’s decline put the cap on the second half’s problems. They were compounded by technical difficulties at the Ngodwana mill, possibly the same glitch as led to some massive river pollution.

Sascor, acquired when Courtaulds divested in 1988, enjoyed high prices for the discharging pulp it exported to British rayon makers. But it, too, is having to contend with weakening export prices. Still, the uncertainty over the Swazi plantation and pulp interests in the Usutu forests has been resolved — they were to have been acquired along with Courtaulds’ Umkomaas rayon pulp operations but the change of ownership was delayed by the Swazi authorities.

Completing the deal

The transfer was completed last month with Courtaulds’ R135m sale of a 49% stake in Usutu to Sappi and a further 1% to a Liechtenstein-registered front company. Ownership of the plantation land has been retained by Swaziland, but Usutu retains ownership of the trees.

### NEW SPRINT

<table>
<thead>
<tr>
<th>Year to Feb 28</th>
<th>1989*</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover (Rm)</td>
<td>2.47</td>
<td>2.73</td>
</tr>
<tr>
<td>Operating profit (Rm)</td>
<td>518</td>
<td>731</td>
</tr>
<tr>
<td>Pre-tax profit (Rm)</td>
<td>583</td>
<td>852</td>
</tr>
<tr>
<td>Earnings (c)</td>
<td>607</td>
<td>650</td>
</tr>
<tr>
<td>Dividends (c)</td>
<td>190</td>
<td>200</td>
</tr>
<tr>
<td>* 14 months</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Some financing concerns materialised last year. High interest rates boosted the interest charge as some older loans at attractively low interest rates expired and were replaced by new debt. The current asset ratio dropped below the company’s target because favourable short-term export dollar loans were acquired.

If Sappi’s earnings do fall this year, there is no obvious reason for a corresponding cut in the dividend. The balance sheet is sound, with all financial ratios well within the com-

---

Johann lights up

Anybody who concluded from last month’s restructuring of the Pomona...
COMMENTS
The financial year under review started strongly but by the second half of the year the long anticipated topping out and decline in international prices for pulp commenced. Newsprint prices which had been declining for the past year have started to stabilise recently. The year’s trading was also affected by significant swings in the Rand/US Dollar exchange rate and in the latter part of the year by the strikes at our Ngodwana and Enatra mills as well as some other operating units.

These factors impacted on the second half of the year’s trading and were further exacerbated by technical problems on the Ngodwana newsprint machine which were only resolved at the year end.

Sappi Saiccor had an excellent year benefiting from high selling pulp prices, improved quality and improved output. The whole group benefited from favourable forward exchange contracts and increased non-trading income, which softened the impact of the negative forces in the second half of the year.

RESULTS
A direct comparison of the 1990 figures with those of 1989 is distorted because of the extended financial period previously reported on. In order to facilitate this comparison we have addressed our comments to annualised equivalents.

Figures for Usutu are included with effect from 1 April 1988, and are reported as an associated company. The comparative figure has not been restated as the impact on that period was not material.

Turnover and net income reached new high levels at R2 727 million and R605 million respectively. The respective annualised increases achieved were 28.9% and 42.1%.

Earnings per share increased from 607 cents to 650 cents, an improvement over 1989 of 24.9% despite the decrease of 11.2 million in the average number of shares in issue.

Finance costs were 215.4% higher than in 1989. The significant increase resulted from high interest rates, the expiry of some favourably priced fixed interest financing and an increased level (but not ratio) of general financing required.

The taxation charge of R13.5 million reflects current taxation incurred by subsidiary companies not sheltered by tax losses brought forward and new capital allowances.

The group’s debt/equity ratio at the financial year end improved from 0.67 in 1989 to 0.56 in February 1990, both figures well within our objective. The current asset ratio is below our objective because of the inclusion of extensive short term export based dollar loans at favourable rates of interest but the group has more than adequate medium and short term facilities available for this not to be of concern.

Having regard to the improved results and the softer outlook for 1991 the directors have declared a final dividend for the year of 120 cents per share on the ordinary shares. The total dividend therefore amounts to 200 cents compared to 1989 which was 190 cents. It should be noted that a dividend of 190 cents in the previous year was paid in respect of earnings for a 14 month period because of the change of the group’s financial year to February 1989.

Consolidated income statement

<table>
<thead>
<tr>
<th>Year Ended</th>
<th>14 months</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>February</td>
<td>February</td>
</tr>
<tr>
<td></td>
<td>1990</td>
<td>1989</td>
</tr>
<tr>
<td>Turnover</td>
<td>2,728,5</td>
<td>2,486,6</td>
</tr>
<tr>
<td>Operating income</td>
<td>730,6</td>
<td>617,7</td>
</tr>
<tr>
<td>Associate company’s income</td>
<td>14,0</td>
<td>—</td>
</tr>
<tr>
<td>Net finance costs</td>
<td>265,0</td>
<td>76,1</td>
</tr>
<tr>
<td>Finance costs capitalised</td>
<td>84,5</td>
<td>33,4</td>
</tr>
<tr>
<td>Non-trading income</td>
<td>28,1</td>
<td>8,3</td>
</tr>
<tr>
<td>Income before taxation</td>
<td>652,2</td>
<td>583,3</td>
</tr>
<tr>
<td>Taxation</td>
<td>13,5</td>
<td>16</td>
</tr>
<tr>
<td>Income after taxation</td>
<td>638,7</td>
<td>567,0</td>
</tr>
<tr>
<td>Retained Income from associate company</td>
<td>17,9</td>
<td>—</td>
</tr>
<tr>
<td>Attributable to outside shareholders</td>
<td>51,5</td>
<td>43,7</td>
</tr>
<tr>
<td>Preference dividends</td>
<td>—</td>
<td>26,8</td>
</tr>
<tr>
<td>Net income</td>
<td>605,1</td>
<td>490,7</td>
</tr>
<tr>
<td>Ordinary dividends</td>
<td>188,2</td>
<td>152,7</td>
</tr>
<tr>
<td>Retained Income for period</td>
<td>418,9</td>
<td>344,0</td>
</tr>
<tr>
<td>Average number of ordinary shares in issue (‘000)</td>
<td>93 049</td>
<td>81 828</td>
</tr>
<tr>
<td>Earnings per share (cents)</td>
<td>650</td>
<td>607</td>
</tr>
<tr>
<td>Dividends per share (cents)</td>
<td>200</td>
<td>190</td>
</tr>
</tbody>
</table>

Abridged balance sheet as at 28 February 1990

<table>
<thead>
<tr>
<th></th>
<th>28 February 1990</th>
<th>28 February 1989</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ funds</td>
<td>2 940,0</td>
<td>2 162,7</td>
</tr>
<tr>
<td>Outside shareholders’ interest</td>
<td>609,2</td>
<td>781,5</td>
</tr>
<tr>
<td>Long term Borrowings</td>
<td>927,1</td>
<td>957,4</td>
</tr>
<tr>
<td>Funds employed</td>
<td>4 376,3</td>
<td>3 901,6</td>
</tr>
<tr>
<td>Employment of funds:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td>4 372,0</td>
<td>3 556,2</td>
</tr>
<tr>
<td>Current assets</td>
<td>1 111,9</td>
<td>1 056,5</td>
</tr>
<tr>
<td>Total Assets</td>
<td>5 483,8</td>
<td>4 622,7</td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Bearing</td>
<td>597,4</td>
<td>303,0</td>
</tr>
<tr>
<td>Other current</td>
<td>510,1</td>
<td>416,1</td>
</tr>
<tr>
<td>Total current</td>
<td>4 447,5</td>
<td>4 419,1</td>
</tr>
<tr>
<td>Working capital</td>
<td>5 483,8</td>
<td>3 901,6</td>
</tr>
<tr>
<td>Operating income to average total assets (%)</td>
<td>15,0</td>
<td>14,5</td>
</tr>
<tr>
<td>Net income to average shareholders’ interest (%)</td>
<td>25,6</td>
<td>26,0</td>
</tr>
<tr>
<td>Debit/Equity ratio</td>
<td>0,58</td>
<td>0,67</td>
</tr>
<tr>
<td>Current ratio</td>
<td>1,90</td>
<td>1,48</td>
</tr>
</tbody>
</table>
SHARE CAPITAL

During the period under review the ordinary share capital in issue rose from 96,396,151 shares to 93,174,280 shares made up as follows:
Conversion of convertable redeemable cumulative participating preference shares 6,647,339
Other issues 157,800
Already in issue 86,396,151
TOTAL 93,174,280

The 16,618,827 convertible redeemable cumulative participating preference shares were converted in June 1989 at a ratio of 2.5 preference shares to one ordinary share.

ACCOUNTING AND RESERVING POLICIES

Plantations

In terms of the group's accounting policy on plantations the financial holding costs have been capitalised. In 1990 this amounted to R71 million.

Deferred tax

Wist we will continue to make full provision for any deferred taxation liabilities (as distinct from deferred taxation benefits) when the timing differences which give rise thereto occur, there is no need to make any provision in 1990.

Revaluation

Shareholders' funds include an amount of R571 million representing a revaluation of land and buildings at the end of February 1990, carried out in terms of our accounting policy which calls for such a revaluation every three years.

FOREIGN EXCHANGE EXPOSURES

At balance sheet date a total of US $0 million assets were exposed to currency movements. All foreign exchange liabilities are fully covered.

OUTLOOK

The world markets for paper pulp and dissolving pulp have softened and Dollar price for the main grades which started to decline in the middle of last year are showing a softer forward trend. Most paper products, however, currently show stable prices when measured in a basket of currencies. We do not expect a significant further reduction in the pulp prices from current levels and expect paper prices to remain relatively stable on international markets. The demand for the group's products in South Africa is expected to be firm following significant destocking by customers during 1989 and price increases should be able to recover cost increases. International markets are likely to be difficult and while pulp exports are likely to stagnate in volume terms we still expect to see some growth in paper products. The outlook for exchange rates is uncertain. If recent exchange rates and prices are maintained, it is unlikely that the group will be able to maintain its current level of earnings in the coming year.

Signed for and on behalf of the board
T. L. de Beer
Evan As directors

DIVIDEND ANNOUNCEMENT

Ordinary shares

The directors have declared a final ordinary dividend number 63 of 120 cents per share making, with the interim dividend of 80 cents per share, a total of 200 cents per share for the year ended 28 February 1990. The dividend will be payable on or about 29 May 1990 to ordinary shareholders registered at the close of business on 20 April 1990. The transfer books and register of shareholders will be closed from 23 to 27 April 1990 inclusive.

All dividends are declared payable in the currency of the Republic of South Africa and in terms of the Interest Act 1962, non-resident shareholders' tax of 15% will be deducted from dividends payable to shareholders resident outside the Republic.

Sappi Management Services (Pty) Limited
Secretaries
Per: D. J. O'Connor
2 April 1990
AMIC

Growth from within

Activities: Diversified industrial group
Control: Anglo American 44.9%, De Beers 27%
Chairman: W G Bousted, Deputy chairman L Boyd
Capital structure: 53.9m ods, 1m cum 1st prefs, 3m 12.375% cum red sec prefs
Market capitalisation: R4.9bn
Share market: Price 9.250c Yields 3.8% on dividend, 13.1% on earnings, PE ratio, 7.6, cover, 3.5 12-month high, R112, low, R60
Trading volume last quarter, 211 656 shares
Year to Dec 31 86 97 88 89
ST debt (Rm) 283 191 433 365
LT debt (Rm) 710 344 303 450
Debt/equity ratio 0.40 0.30 0.24 0.15
Shareholders interest 0.64 0.49 0.41 0.49
Int & leasing cover 6.2 8.6 24.9 34.1
Return on cap (X) 11.5 14.9 22.6 23.5
Turnover (Rm) 3,14 3,5 5,4 7,58
Operating profit (Rm) 328 399 771 1,057
Investment income (Rm) 169 233 292 355
Pre-int margin (%) 10.5 11.3 16.3 18.3
Earnings (c) 516 673 963 1,211
Dividends (c) 189 225 250 350
Net worth (c) 4,635 4,657 5,874 7,071

Unless business conditions improve sharply, Amic appears to be nearing the end of a growth phase that has seen EPS rise 250% and dividends by 94% over the past four years.

Growth has been primarily organic, with few large acquisitions made in recent years, and that approach may remain the basic foundation of expansion. The group has maintained hefty capital programmes in major subsidiaries, while strengthening the balance sheet.

Export activities have been built up in subsidiaries, particularly Highveld Steel, Mondi Paper, Scaw Metals and Boart Asseite from the need to expand capacity and broaden product ranges. Chairman Graham Bousted has noted that exporting trends to involve continuous capital investment, simply to maintain quality at competitive levels.

A number of capital projects have been nearing completion and authorised capex at end-December was R516m against R683m at the 1988 year-end.

Scaw commissioned four projects with a total cost of R67m. These comprised the second reduction plant, upgrading of the Morgan mill, the finishing end of the Hille mill, and additional FIV and condensate treatment facilities for the foundry division. Construction of the company's main melt shop is due for completion this year. Scaw's earnings rose 24% but the company is facing weaker export prices and an increase in earnings may "prove difficult."

Highveld commissioned the new klin at Vantra in December and the fifth silicon-manganese furnace at Tramalloys came on stream in February. However, after a year when Highveld's attributable earnings rose 164% and contributed 25% of Amic's equity earnings (see table), a decline is forecast.

Mondi has commissioned its R200m BM6 board machine at the Springs mill, which should reach design capacity of 100 000 t/year by mid-1990. The R172m re-build of the paper division's No 1 paper machine, for completion in the third quarter, is to improve product quality and operating efficiencies and will increase output by some 50% to 120 000 t/year.

Mondi's borrowings have risen and that contributed to static earnings. For this year the group expects reduced operating margins and higher finance costs, with lower earnings.

NTE, the pulpwod and tanning extract producer, has remained a tidy performer. With earnings at R9m (R9m), the return on the R103m equity was only 8.7% and considerable lower earnings are expected.

Boart International expects benefits from the recent rally in the gold price, with further improvements from the industrial and geotechnical business.

Amic extended its interests in the motor sector with the acquisition in October of 100% of Karl Schmidt, which makes pistons for vehicle manufacturers, the component aftermarket and for export. It also holds agencies for various imported components. Expansion of the plant is being investigated among the managed associates, 19%-held Samcor exceeded its budgeted profit objectives in 1989 and paid its second dividend, in 1990 it will benefit from availability of new products over the full year.

In the next five years, "significant investments" may be needed to lift the value of local content and ensure improvements in product quality. These will be funded internally.

Though Amic's overall spending will ease this year, there are large projects in the pipeline, particularly Highveld's joint venture stainless steel plant, and the pulp mill being considered for Mondi at a likely cost of R1bn.

EQUITY EARNINGS (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>1989</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highveld Steel</td>
<td>12.2</td>
<td>26.4</td>
</tr>
<tr>
<td>AEC</td>
<td>19.4</td>
<td>15.0</td>
</tr>
<tr>
<td>Mondi Paper</td>
<td>19.9</td>
<td>15.9</td>
</tr>
<tr>
<td>Boart International</td>
<td>18.7</td>
<td>13.3</td>
</tr>
<tr>
<td>Scaw Metals</td>
<td>12.1</td>
<td>11.9</td>
</tr>
<tr>
<td>Tongaat-Hulett</td>
<td>6.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Other</td>
<td>11.3</td>
<td>8.8</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

R1bn

Management is targeting maintained group earnings for 1990. However, Bousted notes that the group's earnings are being calculated using the comprehensive method of providing for deferred tax, and a change to the partial method is being considered. That could give an additional, once-off boost to EPS.

Assuming earnings are maintained, the group offers an historical and prospective yield on the R92.50 price, which is down 17% from the 12-month high. The stock is sensitive to exchange rates and any renewed weakness in the rand — which is looking more likely — would be bullish.

Andrew McNairy
R80m board plant starts up

SAPPI has commissioned an R80-million board plant — its largest expansion project since the Ngodwana paper mill.

The Novoboard plant at White River has a 170-metre-long continuous press line and was designed by West Germany's Stempel-kamp. It is one of the most modern particle-board and medium-density fibre-board plants in the world.

In the final phase of the project Novoboard is landscaping a tract of land between the Nelspruit-White River road and the factory to ensure that the plant fits in with the environment.

The plant will produce board ranging in thickness from 3mm to 22mm.

The medium-density fibre board is a new product which has all the advantages of solid wood and none of the disadvantages. It is easy to work and is cheaper than most solid wood.
Johannesburg — The sale of most of Bolton Properties' (Bolpro) pine plantations in the Southern Cape, which was announced in January, is reflected in the sharp boost of 131% in earnings before extraordinary items to 39.1c a share for the year ended February.

The extraordinary items, totalling R1.39m for the year, mainly represent profits on the sale of land and buildings.

Abnormal sales

The proceeds of these abnormal sales were effectively distributed to shareholders via a reduction in share premium account of 220c a share on March 20.

The final dividend of 15c a share, making a total of 19c for the year, is therefore based on the cash available for this purpose.

"Commenting on the future outlook, the directors emphasise that 'the realisation of assets and distribution of surplus funds will considerably diminish shareholders' income and dividends will similarly have to be reduced.'

Looking to the current year and assuming no further sale of assets, an anticipated net income per share of 10c will be distributed to shareholders in full — Sapa
Sappi set for Mozambique deal

MAPUTO — A study for a reforestation project in southern Maputo province involving Mozambican capital and Sappi is at an advanced stage, the Mozambican Agriculture Ministry said this week.

National forestry director Abdul Adamu said after the 1984 Nkomati Accord between Mozambique and SA, the Agriculture Ministry carried out a study of the SA timber market.

Under Portuguese rule, Mozambican timber's main market was SA.

The study showed there was definitely a market for Mozambique's precious hardwoods. The quality of hardwoods that SA was receiving from Namibia, and Angola) proved inferior to Mozambican products, Adamu said.

But the study also showed that by the year 2000 SA would be running short of the more common types of wood for use in the pulp and paper industry and as structural support in the mines.

"We saw that we could take part of this market, and the Agriculture Ministry began negotiations with SA companies as from 1985," Adamu said.

"They were already thinking that southern Mozambique might be a region where forestry projects could be developed to supply the SA market."

The area being discussed with Sappi is 50,000 ha in Matutuine district, adjoining Natal.

The plantation area covers 30,000 ha while the remaining 20,000 ha are for conservation and agricultural development.

The main aim of the project is to export timber not only to SA, but also to other markets as Mozambique does not wish to remain dependent on the prices offered by the SA market.

Local industries would also be developed to use this timber.

The calculations made so far indicate that income from the project would reach Sh7m by the seventh year of implementation, and $27m in the 30th year.

Adamu did not believe that local people would be seriously prejudiced, since the area concerned is largely marginal for agriculture.

But Adamu added that part of the project was to contribute to the agricultural development of peasants living in the zone.

As for the ownership of the enterprise, Adamu said it would be a mixed company, with Mozambique holding 60% of the capital, and Sappi 40%.

While the Matutuine project is the most advanced, there are several other forestry investments under consideration, involving other companies of the Anglo-American group.

These cover the northern part of Maputo province, and parts of the neighboring province of Gaza. Adamu said these zones were again marginal for agriculture, but offered good prospects for reforestation. — ANO

Pluralism causes rivalries, Mugabe tells workers’ rally

HARARE — President Robert Mugabe yesterday defended his ideal of a one-party state in Zimbabwe, saying pluralism would cause unnecessary rivalries at the expense of national development.

He told a Workers' Day rally at Rufaro Stadium "My philosophy is 'let us differ in one house, in one family'."

Zimbabwe had demonstrated it could operate within a multi-party state system, but now the idea was to forge ahead with a one-party system.

Mugabe said the unity between PF-Zanu and Zanu (PF) had ended the dissident insurgency in Matabeleland and was proof of the desirability of oneness.

He said elsewhere in Africa countries were opting for plural societies but did so under threats from their donors or former colonial masters.

"There is a financial threat and not a fundamental change of heart," he said.

Mugabe also promised to introduce collective bargaining for wages this year, reversing a policy of setting increases by decree.

He said government would set a minimum level but allow workers to negotiate higher raises.

Earlier in the day, Zimbabwe University students marched to Rufaro Stadium carrying placards, some of which read "Workers say no to a one-party dictatorship."

They were ordered out of the stadium by Zanu (PF) youth brigades.

Zimbabwe Congress of Trade Unions (ZCTU) secretary-general Morgan Tsvangirai said the students were free to express their solidarity.

As a result of state interference, the normal workers' parades would not take place, he said. — Sapa-Reuter
Losing steam

Softer commodity prices and a more stable rand are exacting an inevitable toll on some of Gencor's star performers of the past few years. In the 1989 year, some two thirds of attributable income was derived from just divisions metals and minerals - primarily Samancor and Sappi.

This year, Samancor will be hard pressed to maintain annualised EPS and Sappi is almost certainly facing a decline. Other significant businesses such as Malbak, gold and platinum are also looking soggy. Gencor is now looking largely to its energy division, Engen, financial activities and coal to lift EPS for the full 1990 year.

ENERGY BOOST

<table>
<thead>
<tr>
<th>Six month to</th>
<th>Feb 89</th>
<th>Aug 89</th>
<th>Feb 90</th>
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<tr>
<td>Income (Rm)</td>
<td>395</td>
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<td>Pre-tax income (Rm)</td>
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<tr>
<td>Attributable income (Rm)</td>
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<td>Prior period (Rm)</td>
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<td>-</td>
<td>28</td>
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<tr>
<td>Earnings (c)</td>
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<td>56.0</td>
<td>60.1</td>
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<tr>
<td>Dividends (c)</td>
<td>12</td>
<td>22</td>
<td>14</td>
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</tbody>
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* Mobil earnings for July and August

Gencor's Keys... can he unlock energy?

Interest at around 18% Keys expects the balance will be roughly at current levels by year-end, so interest income for the second half would total some R234m.

Calls on cash may be made by the Samancor/Highveld stainless steel venture or the platinum sector but management expects the Gencor balance sheet to remain highly liquid. "My concept of the way to run a group like this is to have a cash positive position at the centre," says Keys.

After the recent spate of acquisitions, the emphasis is switching towards building up the greenfields projects. Keys does not see the group buying its profits over the next couple of years.

Keys reckons the domestic economy is weak and likely to get weaker and "tough sledding" is expected for the companies that do business locally. He notes, though, there are signs that international commodity prices have bottomed and export volumes have remained encouraging. Looking further ahead, he believes events in eastern Europe must ultimately be favourable for many of Gencor's markets.

Despite the current slowdown, the total dividend will certainly be increased, probably by at least 12%-15% to about 39c. At 1.070c, the share offers a prospective yield of about 3.7% and discounts the April 20 NAV of 1.464c by 26.9%.
Lion Match posts small real profit growth

LION Match, the Durban-based 70% SA Breweries subsidiary, that employs 2,400 people, barely posted a real growth in profits for the year to end-March.

Earnings per share were up 15% to 81c (62c). Dividends rose 10% to 13c (11c).

The group has been a little troubled by recent labour unrest, says consumer spending grew by 17% in nominal terms and 2% in real terms in the period.

Financing costs at R10m doubled from last year’s. The group’s debt-funded diversification and import replacement drive accompanies a period of higher interest rates and a weakening economy.

It is capitalised on the JSE at R93m and trades at a discount to net asset value. The results place it on a 15% earning yield against a sector average of 11.9%. At 20c it is on a 6.3% dividend yield (3.9%).

Lion Match manufactures matches and lighters, electrical appliances (Pineware, Rowenta), and Wilkinson Lion products (shaving, home and garden). It is also involved in packaging and printing (Interpack) and in forestry.

Latest results show taxed profits up 17% to R12.8m (R11m). Tax increased 20% to R1.4m.

Shareholders’ earnings were up 16% at R14m. Lion Match was incorporated in 1906 following the merger of all SA match businesses.

Analysts say the inclusion of SA Breweries’ finance guru Selwyn MacFarlane as a Lion Match non-executive director is a major reason for the group’s enviable level of financial disclosure.
In for a penny

Shareholdings in Pennypinchers will change markedly after its R10m rights issue. The issue is underwritten by PG Bison, which is controlled by PG Wood Industries and Spankor, a partnership between Acoo and Mondi.

PG Bison’s 31% stake in Pennypinchers will rise to about 45% after the issue. The directors’ interest of just over 50% will drop to 40% as they are not going to follow their rights.

PG Bison financial director Angus Band says his company sees the rights issue as an opportunity to invest further in a growing business which will remain a significant customer. “Aside from the fact that we have board representation, we will remain investors rather than managers,” he adds. Pennypinchers chairman Fasee Malherbe will continue as executive chairman.

The purpose of the issue is to reduce gearing to 0.46 from well over 60%, and to upgrade existing outlets to handle expected turnover growth more efficiently. Financial director Percy Bishop says some additional outlets will be opened in the Transvaal for the plumbing and ceramic tile market.

It is proposed to offer 34 new ordinary shares at 170c a share for every 100 ordinary shares held. This will increase the issued shares from 17.7m to 23.7m. In the year to end-December, EPS rose by 27.4% to 20.58c, and Bishop says similar growth is expected this year on the enlarged share capital. To achieve that, however, attributable earnings will have to reach R6.2m, a 70% improvement on last year.

That is a tall order in this climate but might be attainable on the back of interest savings and trading efficiencies. I think shareholders should follow their rights.

Gerald Hershon
HLH surprises with 37% hike in earnings

Hunt & Lechars & Hepburn (HLH) posted a 37% increase in attributable earnings in the year to March, a better than expected result after the 28% rise in attributable profits at the halfway stage.

Attributable income for the year is R106m (R72.9m), which translates into earnings of 81.4c, a 22% increase over last year's 66.9c. The final dividend of 14c, making a total of 28.8c, has been raised by 20% to 16.8c (14c)

HLH's turnover grew by 25% to 464.2m (R317m) while operating income rose by 26% to R64.9m (R50.8m) which, measured against the 25% sales increase, reflects productivity gains through improved margins, says CEO.

The lower increase in earnings is attributable to the increase in issued share capital following HLH's R147m rights issue to acquire a 25% interest in Rainbow Chickens at a cost of R196m.

HLH's turnover grew by a result of higher interest rates and increased borrowings on the subsidiary companies. However, the group's borrowings excluding the convertible debentures and loan accounts, amount to R51.1m, only 7% of shareholders funds.

Morris says the 37% rise in income is "satisfactory". He says that all the companies in the group performed well, particularly the sugar interests (Transvaal Sugar) assisted by a favourable international sugar price and the softwood timber interests (HL and IF Timber Processors) and timber both had record years.

The share of associated companies' retained earnings increased by 80% to R30.6m. Included in this amount is the group's share of Rainbow's retained income effective from June 1, 1989.

Morris says that due to the current restrictive economic climate - expected to continue for the next year - the present rate of growth in earnings is not expected to be sustained for the 1990/91 year.

The pyramid company, Huntcor, whose only investment is its 78.1% holding in HLH, has declared a final dividend of 33.87c. making a total of 66.07c, a 20% rise on last year's total distribution of 48.6c.
SAPPI F|M 22/6/90

Waiting for price recovery

Activities: Pulp and paper manufacturer, producing about half SA’s total paper requirements
Control: Saccor about 61%
Chairman: TL de Beer, MD E van As
Capital structure: 92.3m ords Market capitalisation R3.46bn
Share market: Price 3 750c. Yields 5.3% on dividend, 17.3% on earnings; p/e ratio, 5.8, cover, 3.3; 12-month high, 5 150c; low, 1 76c; trading volume last quarter, 463 940 shares

Year to Feb 28 '86 '87 '89 '90
ST debt (Rm) 199 220 303 587
LT debt (Rm) 671 520 957 588
Debt/equity ratio 0.50 0.77 0.34 0.36
Int & leasing cover 2.7 9.7 8.7 4.2
Return on cap (%) 6.7 10.6 11.5 15.3
Turn over (Rm) 1 101 1 312 2 458 2 727
Pre-rt profit (Rm) 165 281 618 731
Pre-rt margin (%) 15.0 21.4 29.0 26.8
Inflation (c) 133 331 520 650
Dividends (c) 40 130 190 200
Net worth (c) 1 643 1 839 2 398 3 164
* 14-month period
† Annuaised

Five years ago SAPPI was facing an uncertain future - after huge investments in the Ngodwana mill - but the latter half of the Eighties has seen the group emerge as one of the most profitable operations in the industrial sector.

Returns are high - return on equity last year was 20.6% - the balance sheet no longer looks overgeared, timber resources have been secured through the Saccor and Usutu Pulp deals and SAPPI has become a player in the world pulp and paper industry. With the earlier investments coming on stream just as world commodity markets were lifting off, and efficiencies improving throughout the group, profits have grown rapidly - net income increased from R70.7m in 1986 to R605m in the 1990 year. But that run is over for now.

Both domestic and foreign markets have slackened and product prices have dropped well below their peaks. CE Eugene van As says international pulp and paper markets started weakening in the second half of the year and pulp prices, in particular, have shown a downward trend ever since Newprint prices dropped sharply the previous year and Van As believes these have stabilised.

The group still markets large volumes of its output to the local market, so activity in the domestic economy is important. The local market showed modest growth in packaging papers last year but there was a sharp decline in deliveries of fine paper grades as distributors and printers reduced inventories.

Van As says the change in the political climate in SA has improved the atmosphere in which the group trades internationally, but creates uncertainty in the home market. Thus, he adds, with government’s determination to control inflation, is going to make the coming year difficult for SAPPI.

Strikes at two of the group’s factories affected the past year’s performance and the effects will also be felt in the current year’s figures. A strike lasted at Ngodwana for nine weeks and at Eastrite for 11 weeks, with less than half the time lost during the 1990 fiscal year. Van As notes that both strikes were settled amicably but will have a material impact on profitability during the first half of the 1991 year.

Other factors that influenced last year’s results included the effluent spill at Ngodwana - which, Van As says, cast a pall over an otherwise successful year - and some related operational problems. There were difficulties with the start-up of the new Novobord plant and SAPPI Kraft had several operating problems, some of which, Van As reckons, were a direct result of a drop in morale at Ngodwana after the spill. These had adverse effects on group income.

At Usutu Pulp, now owned 49% and managed by SAPPI, operations were severely interrupted in August when one of the chemical recovery boilers was damaged by an explosion. The unit has since been rebuilt in an enlarged form, with state-of-the-art controls, and has been commissioned. In this case, both the material damage and loss of profits were covered by insurance.

In the current year, prices and exchange rates are likely to be the major factors influencing earnings. Various capital programmes will ensure growth in volumes over the next few years and management appears confident it will be possible to place increased tonnages in foreign markets.

Owing to strikes and flagging economic conditions, however, management says earnings this year are unlikely to equal last year’s unless there is a material change in the rand/dollar exchange rate. Rand weakness would obviously help but is hardly to be relied upon. The group’s next real profit advance may have to wait for solid and sustained price increases — and that may be some time in coming.

At 3 750c, the share is well off the high of 5 150c, reflecting the dubious near-term growth prospects. But the stock remains a currency hedge that will be accumulated by those who take a bearish view on the rand.

Andrew McNaught

Sappi’s Van As ... murky outlook in SA

ABI F|M 22/6/90

Spending plans

ABI shareholders can be well satisfied with the group’s performance in 1990, its first year as a listed company. There was strong turnover and profit growth, derived from acquisitions and organic expansion, and this has been reflected in the share price.

Attributable income rose 43% on a turn-
How green was my forest?

With the market right, profits and environmental concern go together

The timber industry isn’t out of the woods yet though shortages predicted for 2010 have probably been averted. The Forest Owners’ Association has for years been warning that SA could fall short of self-sufficiency in timber by then unless growers put more land under timber. Actually, they have been doing so.

Plantings have lagged levels the association deemed sufficient to avert disaster so there’s still likely to be a continuing shortfall — especially in softwoods — but not as severe as expected. The forest owners estimated that for the 1987-1988 growing season 40 120 ha was required but only 23 270 ha of new timber went into the ground — a shortfall of about 42%. In 1988-1989 total plantings were about 30 000 ha. This is below the required amount. The biggest shortfall appears to be in softwood plantings where prices received by growers have lagged those of hardwood.

Plantings have increased, however, and not because growers are altruistic. Prices sometimes 50% higher than the industry’s official list price have been paid for standing hardwood. These are expected to rise further in expectation of shortages.

Association director Mike Edwards says it makes sense for growers to capitalise on the fact that trees grow faster in SA than in many other countries.

Sappi deputy group MD Ken Lechmere-Oertel concurs: “In pulp and paper we’re more than competitive with the colder northern countries, such as Finland and Norway, and we’re cost-competitive with other major producers — the southern US, Brazil, Chile, New Zealand and Argentina.”

Growth in overseas demand for SA timber has resulted in exports of sawn timber and wood products (pulp, paper, chips) rising from fewer than R300m in 1981 to more than R2bn last year, yet now amounts to 25% of the industry’s turnover. Sappi, for example, which exports to more than 30 countries, increased its shipments by 228% in 1988 off a high base.

Export market gains do not please all timber merchants claim they can import pine for less than it costs to buy it domestically but are precluded from doing so because of import control. What irks them is that sawn SA pine is exported at half the price for which they can buy it.

SA does not have vast indigenous timber forests. At the beginning of the century commercial plantations covered only 8 400 ha and it was difficult to sell timber until World War 2 when imports became almost impossible. The crunch gave rise to a determined local timber industry.

Demand, however, both for locally-used timber and timber products for export, outstripped supply. In 1981 the association forecast there would be a chronic shortage unless 39 000 ha/year were planted for the next five years and thereafter at a rate of 16 000 ha/year.

The governing body for timber is the Department of Environment Affairs which owns 25% of plantations and sets the price in the round (timber ex-forest).

Forestry & Environmental Conservation ex-Deputy Director-General Aat van der
Dussen says for five years it has been advocating that at least 40,000 ha of timber should be planted annually. The trouble is it hasn't followed its own advice because the department has put very little new ground to timber in recent years.

Then came a well-reasoned analysis commissioned by the forest owners, published last year, which showed that "surplus timber will have been depleted by the year 2007, resulting in a cumulative shortfall of 18m m^3 by the year 2010." A shortage of that magnitude — 17m m^3 was consumed in 1987 — makes planting for the local market and capitalising on expected price rises much more attractive.

Edwards says most of the new trees are hardwood (gum varieties) planted by big concerns such as Sappi and Mondi to protect their R3bn investment in board, paper and pulpmills. They take seven to 10 years to mature. Little is being done, however, to alleviate the developing shortage of pine, usually the building industry, which takes 25-30 years to mature.

Edwards sees the upsurge in planting "as an event which signifies that forestry is at last being regarded by the private sector as an investment." It is too early to predict how that perception will affect the industry, but, at the last count in 1988, there were 1,788 registered growers, 235 primary wood processing plants, 59,000 people employed in plantations and 48,000 in processing plants.

The capital invested in the industry is estimated at R11bn, of which R6bn is in the forest products sector — 81.7% in pulp and paper mills, 1.4% in mining timber mills, 8.5% in sawmills and 8.4% in other mills. Investment in trees accounts for 56% of the remaining R5bn, 23.5% of it invested in land, 9% in roads (for access to and within plantations), 6% in movable assets and 5% in fixed assets.

Annual turnover of primary pro-

ducers (all factories which use wood as basic raw material) is R6bn, almost half the R13,40bn the motor industry is expected to turn over in 1990.

Timber pricing has always been a sensitive issue. There was near-war when the department announced it was to raise the price of timber in the round to sawmillers by nearly 30% to make up for what it called subsidising them in the past. At the same time it published the National Forestry Corporation Draft Bill which, it claimed, was a step towards privatising the State's 270,000 ha of plantations.

The SA Lumber Millers' Association, umbrella organisation for the sawmilling industry, claimed the move was a ruse to jack up profits and make shares in State forests more desirable on listing. Millers were given until the end of April to make their views known on the new Bill. Van der Dussen says "We have reached agreement. We will increase the price this year by 14.5% and take an additional 5% to cover the backlog. We'll negotiate a new price next year — and in 1992 — and take an additional 4% in each of those years.

Rational business

There wasn't all-round applause for the lumber millers' stance. Lechmere-Oertel, for example, says "Sappi supports privatisation, provided it's carried out in a rational manner. We support a corporation, provided it's established and financed as a separate business entity and doesn't compete unfairly.

Sappi and Mondi are planting more and trying to persuade many smaller growers to follow suit. Mondi Paper Co is engaged in a R100m project to develop 60,000 ha in Ugie, Muela and Pilgrims over the next seven years. It is also considering Mozambique as an expansion area. So is Sappi — which is expanding its interests in Mozambique by developing 30,000 ha in the south with Maputo's government.

The timber is destined for SA mills which already consume more than 15,000 t/day. Sappi is the biggest consumer. In 1988 it acquired Sascor, at Umkomaas near Durban, the biggest dissolving pulp mill in the world, in a R1bn deal with Courtlands, which included acquisition of the Usutu pulp mill in Swaziland.

Vigorous afforestation programmes are under way in some quarters. The sugar industry is angry because growers are switching from cane to timber and environmentalists describe the forests sprawling over the countryside as a green cancer.

Earth Life Africa managing officer Judith Taylor, for example, says pine and gum trees are native and have no place in SA where they endanger the remaining indigenous forests.

"The afforestation of the Natal Midlands, one of our most stable agricultural areas, is a negative step," she says. "They are planting trees in areas where they take up water and rivers do not flow as well as they should."

Edwards notes these trees have been planted commercially where they don't belong. He adds "Pines are thirsty things and take up a lot of water, particularly when they're young." He adds that sugar cane "probably takes up as much water" and "no one condemns the growing of cane, which is alsovasive."

His environmentalist argument is that SA had not had commercial pine and gum plantations it would not, in any case, have had many indigenous trees left by now. "Nearly every one would have been cut down or burnt. We plant around indigenous trees to protect them. If SA didn't have those plantations it would not have a multibillion-rand industry either."

Forestry is the only branch of agriculture that has imposed self-regulatory restrictions, says Environmental Affairs parliamentary secretary Etienne van Rensburg. Those who grow timber commercially have to get permits from the Department of Environment & Water Affairs. They may not establish plantations close to water courses, must submit maps with applications and prove plantations will be environmentally benign. Growers who did not have permits, or who planted trees in the wrong areas, have been ordered to remove them.

Expanding forestry areas is one way to increase the supply of timber but, as the amount of suitable ground is limited, ways are being found to intensify production. "We can expect increases in production of up to 40%," says Lechmere-Oertel. Varieties which grow well in frost zones or drier areas are being developed.

Hybridisation and cloning show considerable promise. Hunt Leuchars & Heplerburn, which specialises in mining timber, has developed a gum clone which grows straight, fast and sheds branches soon after it develops.

The yield per ha is the bottom line by which every agricultural operation is measured but, by working hand-in-hand with suitable varieties and methods, the industry has calmly r. the mood of the Green Nineties.

In the woods ... a crisis averted

FINANCIAL MAIL JUNE 1 1990
EUGENE VAN AS  
(199)

Van As has, as MD, led papermaker Sappi through its most comprehensive expansion and one of its largest acquisitions, Courtalde's viscose pulp interests. Now he expects further expansion to reinforce his company's part as a global player partly based on vast, new plantations outside SA.

I have to assume that political development will be reasonably smooth and the economy is not disrupted by change. On that basis, Sappi's planning is based on paper consumption growing some two percentage points above GDP I estimate that means 5% real growth annually, or a doubling of consumption over the next 15 or so years.

The industry's fundamentals are unlikely to alter materially. There are no large natural forests, as in the US and Sweden, and we shall continue to rely on plantations. We cannot simply plonk down a new pulp mill. It has to be near plantations and water.

In many respects, man-made plantations are easier to manage than natural forests. We are planning a 50 000 ha development to grow hardwood - eucalyptus - in southern Mozambique. The area allows trees to grow quickly. A eucalyptus tree can reach maturity within 10 years - something like double the growing rate in the eastern Transvaal.

We estimate that on a 10-year rotation period we can source about 1.5 Mt of timber a year from southern Mozambique. That's not a small amount. At present, for example, our Ngodwana mill uses about 2 Mt.

We're planning to import the Mozambican wood for processing at mills in the eastern Transvaal or northern Natal. Our expansions thus century are likely to be extensions to mills rather than greenfields projects. We are likely to need a new mill around the turn of the century. The last time we built a completely new mill was 17 years ago when, because of unco-ordinated planning, Sappi ran out of pulp, kraft and newsprint capacity and we had to build Ngodwana.

We could also find ourselves expanding the Sascor viscose pulp plant to serve export markets. I don't believe we will move downstream into rayon production. Sascor makes 450 000 t of viscose pulp a year. Its largest foreign customer uses 130 000 t, which is more than SA's total needs. Extensions will have to incorporate the latest pollution controls - we have often developed ourselves because we have so little water.

Ngodwana, for example, uses one-sixth of the water of a comparable pulp mill in the US. The latest pollution control technique we have just patented is a means of removing chlorides from effluent water leaving our mills.

Coming change will determine the direction of our business. For example, we believe demand for paper by schoolchildren will be one of the fastest growing. We will continue to export, but in some respects have reached the limit.
A good year for timber expected

THE SA timber industry is set for a better year with a protracted period of steady growth in demand and in the value of its products, according to the South African Timber Growers' Association (Satga).

Satga assistant director Dave Dobson says in his annual report the year under review was good for the small private timber grower despite a forestry production cost increase for 1989 amounting to 19.3%.

Over the past year only 23 270 ha of new land was afforested, resulting in a shortage of timber, especially softwoods mainly used for pulp. Afforestation is falling short of the more than 40 000 ha a year needed to avert a serious shortage by 1992, he says.

Satga statistics show 40 000 ha a year of newly afforested land is required between 1987 and 1992 — with a further 560 000 ha needed in Natal over the next 20 years. There is a 63% shortage in softwoods and a further 20% in hardwoods.

Softwood shortages are attributed to prices lagging behind hardwoods, with the sale of uncommitted timber continuing throughout the year. The present standing value of hardwood is 40% above the comparable price of softwoods.

Demand for both locally used timber and timber products for export outstripped supply. Thus was coupled with an average 15% rise in the cost of timber and timber products.

Satga expects established growers to look to the future with confidence while new growers should continue to be attracted to the industry. Interest in afforestation was spreading beyond the traditional agricultural sector with many syndicates making use of tax advantages from a forestry investment.
Wood business sets back PGSi earnings

PLATE Glass & Shatter-proof Industries’ (PGSI) attributable earnings fell 27% in the year to end-March after major setbacks were experienced in Wood International (WI).

In May directors warned earnings could drop by as much as 30% because of these problems.

Earnings are down 27% to 354.8c (432.7c) a share despite a 14% rise in turnover to R3.2bn.

However, the dividend has been maintained at 222c a share.

The setbacks at WI led to a loss for the wood division as a whole of 79.2c a share.

While PG Bison and Central Africa met forecasts, WI faced a management restructure, a downturn in various national economies and a curtailment of timber supplies.

Directors say management has already taken corrective action to stem losses in Australia, South America and Europe, closing some operations.

R2bn has been provided to cover rationalisation costs.

The glass division performed satisfactorily, achieving earnings of 454c a share. While trading in Australia was soft, the SA glass operations turned in an excellent performance.

A change in the method of accounting for a minority participation in an offshore subsidiary boosted earnings by 2c a share.

For the same reason, previous years’ earnings have been understated by a similar amount.

Directors are pleased with these results as the division had to absorb a trading loss of 74c a share because of development costs in the US.

The post year-end sale of the glass division’s UK building glass interests to St Gobain for R435m puts the group in a strong financial position.

It is debt to equity at the year-end of 78% (55%) will be more than halved and shareholders’ reserves will be enhanced by about R114m, say directors.

The glass division is now well placed to take full advantage of the opportunities offered by the European Common Market in 1992.

Although the next 12 to 18 months will be a period of further investment and consolidation, increasing returns can be expected thereafter, say directors.
Sappi buys share in UK paper mills

PULP and paper giant Sappi and a consortium of outside international investors have acquired five UK paper mills for about R600m.

The acquisition will secure an increased off-take for Sappi's pulp mills in SA and gives it an international foothold in the market for value-added products, says Sappi CEO Eugene van As, and enhances the Sappi share's rand hedge quality.

The acquired businesses will operate as one integrated company, ranking as the fifth largest paper company and the second largest specialty paper manufacturing group in the UK.

Three of the paper mills were owned by the DRG group, which was taken over last year by corporate raider Roland Franklin's Pembroke Investments. The other two mills belonged to Star Paper.

Van As said Sappi would manage the as-yet-unnamed company which would specialise in high value-added specialty paper products for distribution in the EC.

While he would not provide further details on the consortium, Van As said the members were not in the paper business and had faith in Sappi's ability to improve the performance of the five operations.

The mills would be held through a Luxembourg holding company in which Sappi had a 49% interest. The purchase would be funded through the financial rand and offshore borrowings.

Van As said the products of the mills were complementary to each other and to products made by Sappi's specialty paper mills in SA. The UK mills would source a

Sappi

significant portion of their pulp requirements from Sappi's SA operations.

"We have extended our integrated operations by securing an increased off-take from our SA pulp mills and at the same time we intend to utilise our existing distribution network in Europe, the US and the Far East to handle the exports of the UK mills,

"The deal gives us a meaningful international foothold and a strong manufacturing presence in a market where we will produce high value-added products from our own pulp.

While the acquisition would have a slightly negative effect on Sappi's earnings in the current financial year, "together with our trading operations, the acquisition should add approximately 100c a share to our earnings by the 1992/93 financial year", he said.

The deal would have no material effect on Sappi's net tangible asset value a share.

JOHN CAVILL reports from London that Bristol-based DRG, whose most famous brands were Sellotape and Basildon Bond paper, was taken over by Pembroke Investments, a Bermuda-based shell, for £307m last November after a controversial battle.

Backed by investors such as Roy Denney, nephew of cartoonist Walt, Pembroke chairman Roland Franklin borrowed the bulk of the money with the express intention of breaking up DRG.

His plan was to sell off all but a small core of DRG's businesses.

But the latest report on the group said Pembroke was finding it more difficult than expected to dispose of the assets.
Lion Match group plans capex of R19.6m

DURBAN — The Lion Match group is planning capex of R19.6m in the current year after having spent R3.8m in the past three years, chairman Laurie van der Watt says in the annual report.

He said the spending would be mainly in the lights and packaging divisions and would be funded from existing facilities.

"Cash flow from operations is expected to contribute to a meaningful reduction in gearing levels," Van der Watt said.

He said the current tight monetary policy and weak real growth in private consumption expenditure were expected to prevail for most of the new financial year.

Despite an expected cooling in economic activity and high financing costs, management was budgeting to improve earnings in 1990/91 by 24.1%.

In the past year turnover grew by 21% to R280m, operating profit was up 34.7% and attributable earnings were up 18.2% to R14m. Earnings per share rose from 27c to 31c and dividends from 11c to 13c. Total assets grew by 31.6% to R220.8m.
SAPPI'S acquisition of five paper mills in the United Kingdom is a first step to going global, says managing director Eugene van As.

He told analysts after returning from London that strategy for the 1990s had been to increase pulp and paper production sharply and to build up own timber supplies to 50%.

The commissioning of the Ngodwana pulp mill and the acquisitions of Suescor and Usulu enabled these goals to be reached quicker than expected.

Sappi's strategic move for the 1990s was to get into high value-added Western markets so that it would be less vulnerable to commodity trends.

The three paper mills acquired from the Dickinson Robinson group and the two Star mills bought from Finnish major Kymmenen Corp would extend Sappi's reach into top-quality paper internationally. The new company would be the UK's No.5 paper maker.

Vague

The five mills were bought in collaboration with unnamed partners for R500m. Sappi had 40% of the holding company and the right to build its stake to 100%, said Mr Van As. Sappi has been criticised for the vagueness of its announcement. Mr Van As refused to give details of how much of the money came through the financial rand, how much through the commercial rand, how much was debt and how much equity.

He said Sappi's partners were more financiers than industrialists. Any debt incurred around would not be reflected in Sappi's balance sheet because the company was only 49% owned.

Mr Van As disclosed that the PE was about 12 or 13 - a "good price" considering that Reepack of the UK had recently been bought for 20 times earnings. The price was close to warranted net asset value.

A large slice of Sappi's stake must have been debt financed, for Mr Van As said interest costs would cause earnings dilution in the first year.

"I am very confident that the new acquisitions will add 10c a share after two years." That means R105m of additional profit a year.

Mr Van As said the five UK mills were operating without reference to one another at present.

"We have to get a head office, install our management, find a name for the company and get everyone working in the same direction. There are enormous synergies between these companies and with Sappi itself.

Raid

"Their combined offtake of pulp exceeds Sappi's total exports. The UK companies will buy steadily increasing amounts of Sappi pulp. One of the mills represents a turnaround situation - and others have recently installed expensive, high-tech machinery."

Mr Van As said customers of the paper mills were pleased because the transaction did not undermine competition. The seller of the three DRG plants, Pembroke Investments of the US, did not care who bought the company. Pembroke acquired DRG for £200m in a controversial corporate raid.

Mr Van As said, "We were offered the DRG mills a while back, but turned them down because they did not have critical mass. Only when the Star mills became available did we go ahead."
Woodrow move to main board will aid shares

PIERRE DU PREEZ

DCM-listed Woodrow Holdings, which is to move to the main board shortly, will continue to strive for a growth in earnings per share which is double that of the inflation rate, CE Graham Nel says.

"We said yesterday he felt the engineering group's move would make its shares more tradable.

Nel said the relaxation of import surcharges on certain of the company's products had reduced the pressure on margins.

"The new group structure has sharpened the group's focus in the fluid handling field," he said.

Strengthened

The total size of the local fluid handling equipment industry was expected to be more than R1,2bn a year.

It was Woodrow's objective to operate small- to medium-sized business units, supplying reasonably specialised medium technology to its customers. Each company would act independently under competent managing directors.

Also, overstocking consisted of good items and would largely be eliminated over the first six months of the year. This should realise substantial cash to lower the interest bill and strengthen the balance sheet.

"The outlook for Woodrow was excellent and most of the group's companies were fairly resilient to economic downturns," he added.
The mills provide Sappi with value-added production facilities in the EEC, an assured market for its southern African pulp products and reduced exposure to commodity market fluctuations.

Debt financing of the deal will initially limit earnings benefits. But even if earnings are retained offshore to bolster Sappi's international interests, shareholders need not wait a lot longer to see dividend benefits. Still, the share's rand hedge qualities have been enhanced.

The five mills, producing various value-added specialty paper products were purchased for R500m on an earnings multiple of 13 or so and will be held by a Luxembourg company in which Sappi has a 49% share and management control. 51% is held by a consortium of international financiers. Sappi MD Eugene van As says Sappi could raise its shareholding at a later stage.

The deal, though small in relation to Sappi's R3.5bn assets and R3.9bn sales in financial 1990, makes it the fifth largest paper maker in the UK in value terms. The mills produce only 150 000 t of paper. But its value is comparatively high — over $1 500/t against $950 for conventional commodity paper.

The mills, which are operating independently, will be integrated and synergies between them and with the SA operations will be exploited. Sappi's existing networks will provide distribution and service facilities.

Financing details are scant. The public announcement only says funding was via financial rand and offshore borrowings. Analysts speculate that a substantial portion is debt financed since Van As warns that interest charges will dilute earnings in the first year. Sappi's 49% holding means the debt need not be consolidated, but the use of local finance will raise Sappi's gearing to about 0.60 from 0.56 at the February year-end.

Van As expects the acquisitions together with Sappi's international trading operations to add about 100c to earnings in the 1993 fiscal year. He cautions that earnings from the international operation will initially be used to redeem debt. Thereafter, earnings may be retained to expedite Sappi's offshore expansion though this may not mean a further rise in the already high 3.25 dividend cover.

The deal also provides Sappi with an alternative to selling its surplus pulp at prices determined in commodity markets. The 100 000 t-120 000 t of pulp used annually by the five mills will eventually be supplied purely by Sappi, reducing its exposure to world markets and gaining the benefit of the high-margin final product.

Sappi's share touched a high of 5 150c last November and its subsequent decline has not been helped by forecasts that weak international pulp and paper prices could clip fiscal 1991's performance. Nor has investor sentiment been helped by the new foreign venture. The share is currently quoted at 3 575c.

Pam Backard
Sappi facing uncertainty in its markets, AGM told

EDWIN UNDERWOOD

PAPER giant Sappi faces an uncertain future in the immediate term with lower activity in the domestic market and falling international pulp prices, Sappi chairman Tom de Beer said at the group's AGM yesterday.

De Beer said although he expected the group to show a sharp decrease in earnings a share in the first half of the year, he expected earnings to return to normal levels in the second half if there was no further deterioration in economic activity.

De Beer said the first four months of the present financial year had been characterised by a further slow deterioration of pulp and paper prices, and there were clear signs that some products had been oversold.

Domestic and foreign markets had slackened for pulp and paper and product prices had dropped below peak levels.

Paper markets started weakening in the second half of 1999 and pulp prices have declined constantly.

According to De Beer, newsprint prices were stable and linerboard prices were likely to be stable at lower levels.

De Beer said Sappi took over management control of its recent UK acquisitions yesterday and expected the five speciality paper mills to reduce the group's vulnerability to the pulp price cycle.

Sappi expected the new UK mills to grow materially over the next few years adding about one rand to earnings a share within two years.

De Beer said last year's performance was affected by a nine week strike at the Ngodwana mill and an eleven week strike at Enstra.

An effluent spill at the Ngodwana plant last year also affected production and productivity at both mills was only now starting to normalise.

Although both strikes were resolved, a noticeable impact on profitability was expected during the first half of 1991 and this should have an adverse effect on the group's income.

Furthermore, the planned statutory recovery boiler inspections at the mills would result in lengthy shutdowns during the first half of the financial year.
Debt trims earnings

Activities: Interests in match manufacturing, packaging and print, domestic appliances and personal care consumer products.

Control: SA Breweries 70.6%

Chairman: L van der Watt, MD. E M Turner

Capital structure: 48m shares Market capitalisation R106m


Trading volume last quarter, 79 000 shares

Year to Mar 31 *97 98 89 90
ST debt (Rm) 3 3.7 3.7 0.3
LT debt (Rm) 26.1 42.8 88.0
Debt equity ratio n/a 0.40 0.54 0.57
Shareholders' interest 0.59 0.53 0.44 0.43
Int & leasing cover 24.5 7.0 5.0 3.4
Return on cap (%) 16.9 13.4 14.6 14.6
Turnover (Rm) 147 233 230 280
Pre-int profit (Rm) 15.2 20.3 25.6 34.4
Pre-int margin (%) 10.0 9.4 11.1 12.3
Earnings (c) 19.8 25.4 27.0 30.9
Dividends (c) 10.6 15 11 13
Net worth (c) 121 169 175 221

* Year to December 31
† 16 months to March 31

Results were moderated by higher net borrowings which went hand-in-hand with the Interpak packaging plant modernisation programme and development of local manufacturing capacity in Lion Match’s appliances division. Long-term borrowings rose by 35% to R58m, almost doubling financing costs to R10m. So, while operating profits rose 35% to R34m, a R24m pre-tax profit was only 18% up on 1989.

Though chairman Laure van der Watt is concerned about the jump in borrowings, he says: “We expect debt to be reduced in the current year because of changes in working capital and expected profit improvement.”

Packaging division Interpak justified its part in the debt burden by recording the largest improvement, turnover rising 25% to R107.6m and operating profit up 53% to R11.6m. Despite providing packaging main-

ly for consumer goods, Van der Watt does not believe the economic downturn will have too severe an impact on this division.

The lights division posted a 20% increase in turnover to R83.1m and 35% increase in operating profit. Van der Watt says the results “reflect full rationalisation benefits from the closure of the Butterworth match factory in 1988, and ongoing modernisation.”

Though the match market is low-growth, increasing at only 1%-2% a year, opportunities to increase sales and market share come from the Laser, Cricket and Firefly disposable lighters. Budgeled capex of R19.6m will be used mainly for plant renewal in this and the packaging divisions.

The electrical appliances division had “difficult trading conditions” as retailers cut back on stock in anticipation of further drops in consumer spending. Turnover rose by 21% while operating profit remained disappointingly static at R3.8m. Growth in sales was boosted by the acquisition of the Salton and Berda brand names and franchises for R1.6m. Reorganisation of manufacturing and distribution activities is expected to reduce working capital levels this year and improve margins.

In the smallest contributor — shaving, home & garden — sales rose only 9% but a R2.3m operating profit showed better growth, of 28%. More import replacement is planned.

Despite tight economic conditions and no let-up evident in the near future, Van der Watt says “management is budgeting to improve earnings.” More he will not say. But if Van der Watt is confident, it seems investors aren’t. The share is still rated in the bottom half of the sector on a P/E ratio of 7.6 and dividend yield of 5.5%. Little hope of spectacular growth may keep it there for some time.

Heather Formby
IMPORT PROTECTION

Paper lions

Of all the protection enjoyed by industry, that of the prosperous and mature paper sector must rank as the most controversial. Last week government announced that this tariff protection would be investigated by the Board of Trade & Industry along with the less controversial tariffs on chemicals and plastics.

Trade & Industry Minister Kent Durr, who requested the investigation, says “Continued tariff assistance to these industries will, in terms of policy, be justified only in those circumstances where these industries can demonstrate that it serves general economic development”.

In other words, the benefits for a particular industry are no longer enough to justify protection, because the cost of this protection is borne by the entire economy.

The results of another investigation concerning the paper industry, a probe by the Competition Board, is expected to be released in the next few weeks. The board is examining whether the pricing policies of Sappi and Mondi constitute a restrictive practice.

Printing Federation executive director Chris Sykes says that to achieve a tariff reduction hasn’t been announced, it’s clear government thinking is moving in that direction. “These are mature industries and it’s a good thing that they should be subject to competition from the outside world.”

There may not be immediate abolition of tariffs, in fact government recently confirmed a 15% tariff on copier paper. There is a 15% duty on coated paper and a 10% duty on linerboard, but none on uncoated paper.

Sappi MD Eugène van As says the industry may be reasonably mature in commodity lines but its projects in the hi-tech areas of paper production are much more recent. In any case, he says, a mature industry like that of West Germany enjoys a 9% tariff across-the-board. He adds that protection is even higher downstream. “There’s a 20% duty on an exercise book, even though it doesn’t represent much added value on paper.”

Namplak group MD Don McCarton, whose company would benefit from lower tariffs on paper, says shipping rates, which add US$100 a ton to the price of paper, provide considerable protection to the local industry. The inland market is further protected by rail and rates that are much higher from the coast than from, for instance, Sappi’s mill in the eastern Transvaal, he says.

But Van As says that while the price of locally produced linerboard at R1 400 a ton may now be the same as the international price of paper — plus 10% tariff and shipping costs — just six months ago it was R250 lower than the international price. “Overseas suppliers may be able to offer a lower price from time to time but they may not offer continuity of supply.”

Mondi chairman Tony Trahar says government must be careful when it tries to ensure competitive pricing not to tilt the playing field towards overseas competitors.

“Our competitors, who all operate from protected markets, work from countries with much lower interest rates and inflation. If they were able to dump surplus capacity on the SA market without a tariff, that would make the playing field very tilted indeed. It would lead to the contraction of the local market and a greater reliance on imports. Not only would this mean a loss of foreign exchange but would leave the country extremely vulnerable both to sanctions and world shortages.”

The chemical industry is more philosophical about the investigation of its industry and accepts that tariffs should come under the spotlight.

Sentrachem MD Johan van der Walt says “there is certain tariff protection, which I don’t think is out of line with that in the rest of the world, but I accept that this needs to be constantly reviewed.”

Van As says the same arguments he raised for paper protection can be used for the chemical industry. “If there’s a large basic infrastructure in place and there has been huge capital investment, then the industry should be protected from disruptive competition. Industries should be able to stand on their own feet but not subject to the dumping of surpluses by foreign companies. If there are no tariffs, it’s very tempting to offload extra capacity.”

It’s the old case of producers who, when they’re not asking for more tariff protection and other breaks from government, are lobbying to keep the handouts they already have.

But SA producers, with their high profit margins, should have no problem matching any low import prices and still add to their bottom lines.

Stephen Cronin
Best near-term growth prospects seem to be in sugar activities. TSB's cost structure compares well with the sugar industry average and if export prices are maintained and agricultural conditions remain favourable, Morris expects positive growth this year. A second sugar mill may be built and there are plans to produce more added-value products. HLH is financially sound and well positioned for further takeovers. The share remains close to the 12-month high, with the P/E at a demanding 14.1.

Gerhard Slabber

**Staying sweet**

**Activities:** Food and timber

**Control:** Rembrandt has 65% of Huntaar, which has 77% of HLH

**Chairmen:** L P Ove, CE: N J Morris

**Capital structure:** 129.9m 9m. Market capitalisation: £1.4bn.

**Share market:** Price 150c. Yields 2.5% on dividend; 7.0% on earnings; p/e ratio, 14.1; covered, 2.8; 12-month high, 1.150c; low, 776c.

**Trading volume last quarter:** 79,000 shares

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**Hunt Leachars & Hepburn (HLH)'s plan to diversify beyond its timber interests took a leap forward last year with the acquisition of an effective 25% stake in Rainbow Chekness. That deal lifted the contribution to attributable earnings from associated companies — which includes the 50% stake in HLH Timber — to 35%.

The Rainbow acquisition bolstered the group's assets to almost R907m and established HLH as the Rembrandt group's food arm. Of this amount 24% is invested in timber activities, 23% in the broiler chicken industry, 26% in sugar growing and refining, 23% in manufacture and distribution of food and household products and 4% in other investments.

The major associated companies, HLH Timber and Rainbow, hold 47% of the assets but produce only 35% of the attributable earnings. So returns are higher in the subsidiaries, Transvaal Sugar (TSB) and COG Investment, which trades as Robertson's, the subsidiaries produced trading income of R95.4m on turnover of R464.2m — partly reflecting the buoyant conditions in the sugar industry. TSB's contribution to turnover was R216.7m and Robertson's R247.5m, both companies showed satisfactory growth over the previous year.

CE Neil Morris says dividends and interest received fell 20% due to a loss of interest income on cash deployed to partly fund the Rainbow acquisition. Cash and short-term investments dropped to less than R7m from R64m and a bank overdraft of R10m was run up. Proceeds from the rights issue, totalling R145.9m, together with cash holdings, were used to fund the acquisition of Rainbow.

Morris says the benefit is reflected in an 86.4% increase in the share of associated companies' retained earnings of 86.4%. The investment in associated companies more than doubled to R441m.

Rainbow's Morris ... more profit from food

Cash flow from operations amounted to R78.2m. After allowing for the funding of increased working capital of R21.7m and the replacement of fixed assets of R7.2m, R49.3m was available to fund dividends to shareholders to R30.7m and the balance to expand existing businesses.

Some special factors are influencing the associated companies' performance. The timber business will be affected by the profit squeeze in the gold mining industry, which is leading to cutbacks in capital spending and closures.

Morris says Rainbow is experiencing much the same problems as its competitors. The broiler industry has expanded capacity and flagging consumer demand placing pressure on margins. Rainbow invested in capacity at Rustenburg. Another problem is chicken diseases in winter, though Rainbow is said to have been less affected owing to research it has done on these diseases. Morris says the position appears to be easing.
Yorkcor dangles an unusual carrot before senior staff

By Derek Tommey

When the going gets tough, the tough take pay cuts — at least they do at Yorkcor, the timber-processing company, which has just completed a most unexciting six months that show earnings of 1.5c a share.

However, these are pay cuts with an exciting difference. Those accepting pay cuts, which are entirely voluntary, stand to get back far more than they have surrendered.

If profits improve significantly in the six months to December, those taking pay cuts will receive a bonus bargain several times the amount of salary forgone.

If Yorkcor's earnings reach the super target of 33.3c a share, the bonus will be 3.33 times the pay cut.

And if the jackpot target of 50c a share is reached, the bonus will be five times the cut in salary.

Company auditors will determine whether the target, super target or jackpot target is reached.

Chairman Solly Tucker said yesterday the expected target figure of 25c a share was determined after a meeting of all senior staff.

"I asked them to write the interim report and to forecast the year's earnings," he said.

By forecasting earnings of 25c, Yorkcor was convincing the world that the top echelon meant business, he said.

Yorkcor's turnover, compared with a year ago, rose by 17 percent in the six months to June to R16.9 million. But net operating income slumped 65 percent to R1.028 million.

Interest payments rose sharply from R295 000 to R800 000.

Attributable earnings dropped from R1.728 million — equal to 19.3c a share — to R137 000 — equal to 1.5c a share.

Extraordinary expenditure of R555 000 was incurred in the closing of a division.

Mr Tucker said the poor results in the first half had stemmed from a number of factors. These included:

- The precipitate publication of draft legislation to launch a National Forestry Corporation, which dampened confidence in the timber market.
- Doubt about the tenure of long-term state sawlog contracts, which boosted the spot price of sawlogs.
- Increases of up to 30 percent in log prices.
- A 20 percent drop in the volume of domestic sales.
- Higher interest rates.
- Unprecedented labour unrest.
- Depressed structural timber prices.

However, Mr Tucker said conditions should start improving.

Government long-term contracts had been renewed, with security of tenure of not less than 10 years, and access to guaranteed volumes of timber from state forests.

Sawmillers had reached an agreement with the Government to accept a log-price increase of 18.5 percent, instead of the 30 percent proposed by the Department of the Environment.

Good progress had been made with negotiations with other forest resources for long-term arrangements, he said.
Yorkor's earnings plummet 92% to 1.5c (19.5c) a share in the six months to end-June, but management has committed itself to an earnings target of not less than 25c a share in the current year.

The timber converter has launched a bonus share scheme. For the six months to June, shareholders can choose between five bonus shares for every 200 shares held or a dividend of 6c a share.

Chairman Solly Tucker says almost all sawmills were affected by the uncertainty created by draft legislation on a national forestry corporation, insecurity of long-term state saw log contracts, and high log price increases proposed by government. They also encountered a 20% drop in domestic lumber sales, higher interest rates, an unprecedented level of labour turbulence and depressed timber prices.

Yorkor's results were affected by the pre-tax costs of extraordinary items relating to discontinued operations which amounted to R1.1m. The costs of establishing new operations also hurt the figures.

Turnover rose 17% to R1.89m (R1.45m). But operating profit fell 67% to R1m (R3.1m) on a drop in margins to 6.1% (20.4%).

The interest bill soared to R900,000 (R293,000), with interest cover falling to 1.3 (18.7) times. A higher tax rate at 46% (39.6%) led to attributable earnings of R137,000 (R1.7m). The debt-to-equity ratio rose to 42.4% (9.8%).

However, Tucker says the sawmilling industry has successfully negotiated a renewal of existing government long-term contracts and has also agreed on a log price rise of 19.5% as opposed to the average of about 20% proposed by government.

A number of senior executives have agreed to a sacrifice in the second half of the year of between 5% to 20% of their basic salary against what has been called a "bonus bargain."

Upon the accomplishment of target earnings for Yorkor of 25c a share, they will be entitled to a performance bonus of 25% of the amount they have staked in the sacrifice.
HLH to exploit growth avenues  

HUNT Leuchars & Lebz
burn Holdings (HLH) direc
tors’ preference for growth
remains organic, but they
will exploit all appropriate
opportunities for acquisi
tive growth and actively
pursue them as they arise.
says chairman Louis Rive.

He says in his latest an
nual review the obvious op
portunities in this regard
exist in the expansion of the
group’s sugar milling ca
pacity and the development of
new differentiated pro
ducts in Transvaal Sugar
(TSB) R102m.

They lie in the acquisi
tion of added timber benefi
ciation processes and prod
uct positioning, and the
reaping of benefits from in
vestments in research and
development in mine stope
supports (R19m).

“... will, we believe,
have a radical effect on
lowering the cost of support
to the mining industry in
real terms, and gives the
mining timber company a
unique strategic position
ning advantage as well as
brought significant ben
efits to our customers in the
industry.”

“Also, within the Robert
sons fold, we have secured
the local rights to key
brands and have grown
markets and market shares
appreciably.”

Rive says HLH manage
ment, while committed to
performance that will out
strip the economy, is un
likely to sustain growth in
the food and timber group’s
earnings.

The group, held by Rem
brandt through pyramid
compamy Hunteer, pro
duced a 37% rise in at
tributable earnings to
R100m to end-March.

The increase in issued
share capital following its
R147m rights issue to ac
quire a 25% interest in
Rainbow Chickens eroded
growth in earnings to 22%,
or R1,4c (66,9c) a share.
Dividends of 20,8c (24c)
were declared.
Knotted profits

Yorkcor has been through a tough half-year, but chairman Solly Tucker is unperturbed and reckons second-half earnings will recover. The first half’s earnings were a dismal 1.5c against 19.3c in the corresponding period of 1989, but Tucker believes the year will end with full earnings of 25c.

Turnover rose by 17% to R16.9m for the six months to June 30 and operating profit fell 67% to R1m on a drop in margins 6.1% (20.4%). Net asset value a share before bonus share issue is 240c (238c).

Tucker was reluctant to forecast earnings when he wrote his last annual statement and the fact that he is now prepared to do so might be seen as a sign that sawmillers are less concerned about year-end threats of higher timber prices and have stopped stockpiling lumber.

Subsequently, as sawmillers successfully negotiated a renewal of existing government long-term sawlog contracts, the effects of this disruption are likely to be short-lived and out of the systems of most sawmillers by year-end.

Other factors, such as the R1.1m extraordinary item relating to the discontinuation of the group’s Pretoria West operation and the cost of establishing new value-added operations, also contributed to Yorkcor’s depressed performance in the first half. These are one-off events and the new ventures coming on stream will certainly boost EPS recovery.

Tucker says the turnaround will come from a general improvement throughout the group, but it seems that New York Pine, the group’s new export venture, will have to play a bigger role in this than Tucker indicates. New York Pine manufactures and exports high-quality pine products ranging from DIY garden sheds to knockdown furniture to Europe. The factory, tolls, trade marks and goodwill of New York Pine was bought from Bellen Industries last December. It is now being expanded.

The share is currently trading at 190c, way down on the past year’s high of 300c and on a prospective earnings multiple of 7.6, based on Tucker’s earnings forecast. It seems fully priced.

Gerhard Stekler
FORMER Kersaf MD Ian Heron will become chief operating officer of pulp and paper giant Sappi’s SA operations in September.

This follows his resignation from Kersaf in December, along with chairman Dick Gore, for reasons which remain unclear. Office leaving Kersaf, Heron has been involved in consultancy assignments in SA and Europe and in setting up a cattle farm with an old friend.

He said last night he did not expect to find too difficult the switch from the hotel in gambling and leisure world to the pulp and paper industry.

Basic people and business management was the same in all companies, he said.

Although he was entering a new industry, he had done a lot of research into it and was meeting Sappi’s top executive team this week to discuss strategic planning.

“I hope that by September I will be well-equipped to get moving,” he said.
Sappi set to tackle depressed market

By DIRK TIEMANN

MONEY can grow on trees, especially if Sappi sows the seeds for expansion in depressed markets.

Sappi will spend R900 million this year on increasing capacity and replacing equipment in SA.

The Usutu pulp mill in Swaziland, in which Sappi has a 49% stake, will spend R100 million to lift output by 15% in the next two years. Cospex includes a digestor, upgrading of auxiliary equipment, a lime kiln and rebuilding of the recovery boiler.

Sappi chief executive Eugene van As says the pulp will be of better quality, but Usutu will remain the cheapest producer.

Sappi places mills near forests because it is cheaper to transport processed pulp than timber.

Sappi's fine-pulp mill at Stanger will increase tissue capacity by 16% in October and Enistra will be modernized at a cost of R100 million in three years.

EUGENE VAN AS

Nash provides 10% of the UK's high-quality stationery and 50% of printer boards. Blackburn supplies 50% of UK coated paper, which translates into 4% of the European market. Keynsham and Oxford supply 30% of coated-label paper in the UK and 2% on the Continent.

Products like uncoated paper and coated paper, not made by Sappi in SA, will be imported from the British mills. Croxley products will also be imported.

A company will be launched in October to distribute Sappi fine paper in Europe.

Earnings are expected to decline in the first year because of the cost of the acquisition, but R1 a share extra is expected after the second year.

Sappi has started plantations in Mozambique. It has 30,000 hectares at its disposal, which should deliver 60% more wood in tons a hectare than SA plantations. Thsi will be a joint venture with the Mozambique Government, which will hold 60%.

Markets for three of Sappi's four main products - fine paper, kraft paper and particle board - are suffering in present economic conditions. But newprint markets are buoyant.

No large change is expected in markets in the second half. Kraft sales will have to compete with the threat of imports.

Mr Van As says a weaker rand should improve export competitiveness.

Closed

Ironically, international prices are depressed in spite of strong demand. This is subscribed to uncertainty in world markets. A minor example of the trends is the closure of East European viscose manufacturers because of public environmental pressure. The pulp manufacturers, which supply them, have not followed suit, and are venturing into exports, contributing to the oversupply.

Half of all East German paper manufacturers have closed, opening opportunities for Sappi, which is well positioned in the ESC through its British mills.

Sappi also has its eyes on sawmilling.

Sappi has been hit by industrial unrest, with strikes lasting up to 11 weeks at several mills. A dispute involving earlier this year. Productivity is only now coming near pre-strike levels.

Tariffs

The Competition Board reported on alleged price collusion between Sappi and Mondi, and other matters have been handed to Administration and Economic Co-ordination Minister Wim de Villiers.

Mr Van As says Sappi's price of liner board, the main product of the two producers, is 6% higher than Mondi's. Mr Van As believes SA should impose tariffs on a par with the ESC and Australia.

"Fine paper tariffs are zero in SA. 15% in Australia and 9% in Europe. For Kraft liner board the tariffs are 10%, 2% and 9%, respectively. The coated paper-starch for SA is 15%, and the average in the other countries 10%."
Sappi's earnings come down 44%

ZILLA EFFAT

PAPER and pulp giant Sappi today reported a 44% plunge in attributable earnings in the six months to August, largely the result of adverse production performance.

The problems were exacerbated by softer export prices, higher interest rates and the slowdown in the local market.

However, on attributable profits of R103.7m (R100m) — or 181c (323c) a share — Sappi has maintained the interim dividend at 80c a share.

CE Eugene van As said while Sappi was affected by circumstances it could — and did — anticipate, it was also knockdown by a series of exceptional events which account for more than half the drop in earnings.

Events which were expected included the continuing decline in world market prices for products in dollars, the relative strength of the rand/dollar rate, high interest rates and weak domestic trading conditions.

However, Sappi also suffered protracted and damaging strikes at Ngodwana and Esikhulu, which lasted for nine and 11 weeks respectively, and severe labour disruptions at Norwood in the Eastern Transvaal and Port Elizabeth.

Statutory boiler inspections, which coincided with the Ngodwana and Tugela mills, and retiling and retfitting of the Ngodwana bleach plant also resulted in reduced production volumes.

The adverse production performance led to a 5% fall in Sappi's turnover to R13.3bn (R14bn) and operating profit.

☐ To Page 2

Sappi (P3)

The interest bill soared to R134.3m (R136.4m) because of higher interest rates applied on financing an expanded base, and because Sappi had to replace maturing loans carrying low fixed interest rates.

Sappi had no tax liability because of previous assessed losses brought forward and tax allowances on its capex programme.

Van As says not all the news from Sappi is bad. The five paper mills recently acquired in the UK are being consolidated into a single business which will form the core of Sappi's European operations.

In addition, the revised export incentives system will better benefit Sappi.

Van As says generally depressed domestic market conditions are likely to continue for the foreseeable future, but he does not expect a further deterioration.
According to Edwards, national forest plantations have increased by an average of 9.2% in the past 10 years and now cover nearly 1,2m ha. Capital investment has increased from R1,4bn to R6bn. Together with the growth in the forest products, the timber industry has shown a combined growth of just over 5% a year over the 10-year period, compared with an annual increase of just over 1% in real GDP.

Over the past seven years, the timber industry has also changed from a net importer of forest products to a net exporter. In Zululand, the timber industry has a powerful impact on the local economy. Zululand's plantations make up just over 10% (or 140 500 ha) of SA's plantation area, but provide almost 15% of the country's total plantation output. Only 6% of the country's wood processing plants are in Zululand, but they consume over 20% of the country's timber.

By contrast, Zululand's sugar mills produce 700 000 t annually, with an estimated turnover of more than R520m. Of this, Mathews says that Zululand growers received an excess of R350m. So, while sugar still plays a significant part in the economy of Zululand, timber, as the new kid on the block, is becoming increasingly important to the region.

Sasa regularly emphasizes the role it plays in providing employment in the region. On the other hand, claims are sometimes made that corporate afforestation leads to increased unemployment and ultimately the degradation of rural communities.

The forestry and forest products sector now provides 20 000 permanent jobs in Zululand. Small sugar farming in the region provides about 25 000 jobs (the whole industry employs 152 000). But Mathews says, following the industry's deregulation and expansion, moves to up to 7 000 new small cane growers should come into the industry in Zululand.

However, Edwards, who argues that the timber industry not only provides jobs but constantly improves the level of skills and remuneration, says it is one thing "to create thousands of new jobs, but quite another to reduce levels of remuneration simply because of an excess supply of cheap, unskilled labour."

He says it is "the forest industry's desire to move away from the old system of what could be termed 'feudalism' or 'paternalism' to a system which encourages actual participation by labour in the economic system itself. Labour must become part of the wealth creation system."

Anne Vaughan from the University of Durban-Westville's Institute for Social & Economic Research maintains Sasa is not creating new jobs, only opportunities to supplement incomes. Arguing that most small, black growers farm plots too small to be economically viable, she says it is wrong to believe that cane growing could be the basis of any form of secure wage employment. What is clear is that there is a transition from sugar to timber taking place in Zululand, and many other parts of Natal. And until market forces dictate otherwise, the process will probably continue, notwithstanding the protests of the powerful sugar lobby.
SAPP\textsuperscript{\textregistered} warned shareholders to expect significantly lower earnings at the August interim, but few bargained for the 44% reported decline. In the second half of financial 1991, Sapp’s performance is expected to improve, but earnings for the full year will not match last year’s.

The cyclical downturn in international pulp and paper markets caused dollar prices of Sapp’s products to weaken and no compensation was provided by the rand, which was relatively stable. Domestic and foreign demand remained depressed. Also, production was cut because of extended strikes at two mills, labour disputes at Novabord and statutory boiler inspections, which reduced export volumes.

CE Eugene van As says the 5% turnover decline stems largely from the production disruptions. Margins narrowed, with costs escalating faster than prices and the operating margin slipped to 18.6% from 27.6% recorded in the 1990 interim period.

The dismal performance at the operating level was aggravated by finance costs, which more than doubled. Van As attributes the rise to the payment of higher interest rates on financing requirements of the “expanded base” and replacement loans. The expanded base presumably refers to the acquisition of five UK paper mills in June for R500m. The deal was debt financed using financial and offshore loans, but the details are sketchy.

A 43% rise in long-term debt since August 1989 and 24% since year-end, partly reflects the refinancing leg and a move from short-term to longer-term funds. Short-term interest-bearing debt fell, but the R140m cash at the 1990 year-end has been used up. Offshore funds raised for the acquisition are not fully reflected on the balance sheet.

The outcome of poor trading conditions and higher finance charges was a 44% slump in attributable income and earnings. But a further reduction in cover to 2.3 from 3.9 allowed the dividend to be maintained at 80c.

Van As hopes production disruptions will not be repeated in the second half (he attributes about half of the interim earnings decline to these events), that local market conditions will stabilise and international market conditions will not change substantially. He warns that “earnings for the second half are expected to be below the corresponding period last year” but should “show a material improvement on the first half”.

The UK operations are not expected to contribute to earnings this year. Sapp management took control of the UK paper mills in July and they are being consolidated into a single business unit. Profits are only expected to flow through from fiscal 1992.

The bad news outlook has put pressure on the share price, which fell to a low of R26.75 on release of the results.

\textsuperscript{\textcopyright} Pak Baskin

\begin{table}
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\begin{tabular}{|c|c|c|c|}
\hline
\textbf{Earnings Pulped} & Aug 31 & Feb 28 & Aug 31 \\
\hline
\textbf{Turnover (Rm)} & 1369 & 1357 & 1296 \\
\textbf{Operating Income (Rm)} & 378 & 247 & 241 \\
\textbf{Attributable (Rm)} & 300 & 312 & 169 \\
\textbf{Earnings (c)} & 323 & 335 & 181 \\
\textbf{Dividends (c)} & 80 & 120 & 80 \\
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Timber company Yorkcor could be facing legal costs estimated by chairman Solly Tucker at R100 000-R200 000 and by others at more than R400 000. These are for a lawsuit revolving around a restraint-of-trade clause and charges of unlawful competition against a former MD.

Last week the Chief Justice dismissed with costs Yorkcor's application for leave to appeal against Judge Piet van der Walt's judgment, in the Rand Supreme Court on October 5 last year, against Yorkcor's case. Estimated costs for the defendant are so far about R250 000. Tucker says the group's accounting policies have provided for the worst and no extraordinary item will appear in the year-end results. With mid-year results to June reflecting attributable profit of just R137 000 (compared to R1.7m for the 1989 interim), this will be a relief to shareholders.

Tucker says he is disappointed and surprised at the rejection of the leave to appeal — because he had been advised that prospects were good. "We believed the issues at stake were important and needed to be tackled in court," he says.

Essentially, Herbert Rajak, former CEO of Yorkcor's agency arm Agentimber, which handles export and domestic sales, left to join Malbark subsidiary Protea International on September 1 last year, taking with him most of the people in his department and documents relating to his employment at Yorkcor. He set up timber exporting company Protea International Timbers.

A restraint-of-trade clause in his Yorkcor letter of appointment prohibited him from selling timber in the Transvaal for a period after the termination of his employment. Protea International chairman Lindsay Robertson says he and Rajak were aware of this clause before they became business partners and had no intention of trading timber in the Transvaal. The company exports timber and timber products to the Far East, Europe, Middle East and African countries.

Tucker's case tried to prove the clause meant Rajak, Protea International Timbers and Protea International were restricted not only from distributing timber in the Transvaal, but from carrying on any sale concluded in the Transvaal region, irrespective of the goods' ultimate destination. The judge ruled the clause was not intended to affect sales for delivery outside the Transvaal market.

Tucker's case also tried to prove Rajak had transgressed a so-called confidentiality restraint by continuing to work with overseas agents and contacts which he had dealt with while still with Yorkcor. Rajak says these business acquaintances had been built up over years and were not solely gained from working with Yorkcor. Robertson says the names of timber traders in Europe and the Far East are not secret and easily available from international Yellow Pages, trade organizations and consulates.

The judge ruled that Rajak cannot be prevented from using business methods which he had probably brought into Yorkcor himself, nor could he be prohibited from using business contacts built up over the years or even those made while employed by Yorkcor.

Yorkcor's application also listed a number of faxes to overseas contacts sent by Rajak before an overseas trip. Tucker alleged Rajak "engaged in intensive and surreptitious activity to set up appointments with European customers and connections" for his new employer, whilst still in the employ of Yorkcor. In his answering affidavit, Rajak said extracts from faxes used by the applicant were misquoted, and "omitted important and relevant facts." Van der Walt agreed with Rajak and quoted instances where the applicant had rephrased and left out sentences giving a different connotation to what was written.

Tucker says it was necessary to go to court to recover the confidential documents which Rajak took with him when he left. Because Rajak had these documents in his possession after the termination of his employment, the judge did not award full costs to Yorkcor. Rajak says, however, he would not have been able to defend his case without these documents.

A puzzling question is why a listed company like Yorkcor, which is bound to come under scrutiny, should go to court with the evidence it did. The court battle was ruled by the judge as one which was fought, in some instances, on "vague allegations." The judge also spoke about the misleading manner in which the applicants dealt with the facts.

Obviously, Yorkcor wanted to try all it could to regain business lost when Rajak left. Surely a less costly way of regaining lost business would have been to compete with Protea International for existing customers, or to build up a new list of export contacts.

Yorkcor's share price, at 220c, has not been affected by news of the rejection of leave to appeal — not surprising, as Tucker's office was not yet aware of this. Shares are held mostly by the Tucker family and Yorkcor employees.
Sappi Europe launched in Rome

SAPP Europe, the UK-based company with a turnover approaching $300m a year and in which local pulp and paper giant Sappi has a 49% stake, was launched at the weekend.

The new company ranks as the UK's second largest specialty paper manufacturing group and its fifth largest paper company.

Sappi Europe was officially introduced to representatives of the European paper, merchanting and print industry at a function near Rome on Friday evening.

The company consists of the five DRG and Star Paper mills.

Earlier this year, Sappi and a consortium of overseas investors bought the mills for £850m from corporate raider Roland Franklin's Pembroke Investments and the Kymmene Corporation.

Sappi Europe, held by a Luxembourg company in which Sappi has a 49% stake, will specialise in high value added specialty paper products and provide Sappi with a springboard into the European market.

It will obtain a significant proportion of its pulp requirements from Sappi's SA operations.

Customers

Speaking at Friday's function, Sappi Europe MD Kim Jokipi said: "With the advent of the single European market it became important for us to be able to serve customers across a wide front."

This will be done by offering a comprehensive range of paper products from the five UK mills. That range will be complemented with fine paper products from Sappi's other operations.

"Our strongly branded products can compete with the best in the world in terms of quality and we are actively looking to identify new product areas and develop new products in conjunction with our customers," Jokipi said.

Sappi Europe’s mills are Nash in Hemel Hempstead, Wolvercote near Oxford, Keynsham near Bristol, Transcript in Fife, Scotland, and the Blackburn mill.

Nash produces fine paper brands, while Wolvercote makes bladenot one-sided coated label papers.

The Keynsham mill manufactures specialty papers, Transcript is one of the world's most advanced carbonless paper manufacturers.

Finally, the Blackburn mill produces australux quality cast coated paper and board.
Tax 'not prime reason' for forestry venture

DELOITTE Pim Goldby yesterday defended advising its clients to enter into forestry deals, saying that trees rather than tax were the principal motivation for the venture.

The commercial benefits accounted for 80% of the projected profits, with only 20% being attributed to tax advantages, Deloitte Pim Goldby partner Robin Beale said at a Press conference yesterday.

Beale was responding to last week's judgment handed down by a special tax court which disallowed deductions claimed by investors on both the interest on initial investment capital borrowed from a financial institution, and the management fee paid to Sappi.

Despite believing that trees continued to represent a good investment - even without the tax benefits - Deloitte Pim Goldby may take the decision on appeal. However, the final decision rests with the investor singled out in the case.

The case, under the spotlight, involving approximately R5.5m, represents only a quarter of the ventures linked to Sappi, which was just one of the companies used to manage such schemes for Deloitte Pim Goldby's personal financial planning division.

The deals, which encompass a 12-year period, allow participants to sell their shares to Sappi after five years for a minimum guaranteed price calculated on a predetermined formula.

Although Deloitte Pim Goldby insisted the forestry ventures were not tax-driven, the advantages investors stood to gain were upfront deductions on the compound interest on the initial investment, as well as deductions for establishing, maintaining and insuring the plantation.

The investors, whose names were not disclosed, are locked into the schemes until the trees are felled, or they can sell out their portion for the minimum guaranteed price.

However, should they wish to do so, it is unlikely the return will cover the cost of the initial investment borrowed from the bank, tax experts predict.
Lion Match's earnings rise

LION Match had a difficult time during the six months to September with a slight increase of 1% in attributable earnings compared with the same period last year.

The group said earnings for the half-year were up marginally to R7.6m compared with last year's figure of R7.5m.

Earnings per share were unchanged at 16.7c.

Dividends also remained unchanged at 5.5c a share, the group said.

Turnover was up by 20% at R163.8m (R136.1m) while trading profit was up by 11% at R20.2m (R18.3m).

The directors said there was a reduced gross profit margin in the lights and appliances divisions.

This was attributed to difficult trading conditions and a delayed match price increase, they said.

A group statement said strikes at the Durban plant caused higher manufacturing and distribution costs during the first three months of the year. — Sapa.
Meeting customers’ needs spells growth

In a world where competition is fierce and time is money, innovation is key. Companies that can adapt to customer needs and stay ahead of the curve are more likely to succeed. This requires a deep understanding of the customer base and the ability to anticipate their needs before they even ask. By focusing on customer satisfaction, companies can build long-term relationships and drive growth. It’s all about putting the customer first and delivering value that meets or exceeds their expectations.
HLH beats effects of debt surge

By Charlotte Mathews

FOOD AND timber processor Hunt Leuchars & Hopburn (HLH) has achieved a 36% improvement in attributable income to R52m in the six months to end-September.

This is in spite of a crippling R89m rise in interest-bearing debt. The debt arose from food and household company Robertson's acquisition of perpetual rights to market Bovril and Marmite in SA and its neighbouring countries and similar rights, acquired in October 1989, to market the Knorr range.

These acquisitions boosted fixed assets on the balance sheet by R106m to R368m.

Turnover grew by 27% to R269.7m. CE Neil Morris said the performance of Robertson's compensated for lower growth in the sugar operations.

Policy

He said the reduction in mining activity had affected the performance of associate Mining Timber, but the company had responded by focusing on operating efficiencies and new products.

Increased borrowings caused the interest bill to triple to R111.4m from R3.6m, but the tax rate fell to 36% from 45% because HLH has changed its accounting policy.

After a higher contribution from associated companies, mainly the 25% holding in Rainbow Chickens, earnings rose 14% to 40.5c (35.8c) a share. Excluding this contribution, the rise in earnings a share was 19% to 35.8c (21.7c).

The weighted average number of shares in issue rose as a result of a rights offer held to fund the acquisition of a 25% holding in Rainbow Chickens.

An interim dividend of 13.5c (12c) a share has been declared.
profits soften the blow but uk sales

plate gi to write off r74m

by anthony canagar

plate glass and stainless flatware business editor

13 july 20

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Remgro all lit up

The tobacco and timber interests of the Rembrandt Group (Remgro) have shown resilience to the downturn.

This helped Remgro report a 13 percent increase in interim earnings per share to 75.13c (66.60c), despite a pedestrian contribution from associated companies.

Associated companies include OFSA, Distillers, Melkor, Fraxex, Gencor and Transhex, which are all listed, and unlisted Gilbeys, Total and Hentel.

Net income returned by associated companies rose only 3.5 percent to R281.9 million (R226 million), compared with a 34 percent increase in the six months to September 1999.

Sneekal, Mouton and Kutshoff analyst Jaap du Toit estimates that gold's contribution from associated companies was 15 percent of net income, despite a lacklustre gold price.

Remgro's net income from subsidiaries — which largely reflects the major tobacco and timber interests — rose 24.3 percent to R281.9 million (R225 million) — 2.9 percent better than the 21.4 percent increase for the six months to September 1999.

Tobacco interests, the group's prime source of cash flow, are growing by 17 percent a year, and Remgro has an estimated 60 percent of the tobacco market.

Analysts expect tobacco sales to maintain growth. The optimism is based on better living standards of the black population, which is growing at a steady rate.

To tap this expected growth, Remgro has expansion plans, including the recent acquisition of production facilities at Brusa.

In the six months to September 1990, Remgro's capital commitments (including capital authorized, but not yet contracted for) stood at R99 million (R18.8 million).

The group does not publish turnover figures or percentage changes because directors believe they are meaningless, given its nature and composition.

This, of course, prevails competitors from working out the profit margins in some of the more lucrative sectors, some analysts feel.

Net income before tax rose 23.3 percent to R440.4 million (R357 million).

The tax charge rose 20 percent to R158.5 million, leaving net taxed income of R281.9 million.

The market thought the results were good and Remgro's share price yesterday picked up 5c to R13.75 on 31 850 shares traded in 22 deals.

But the share fell back lightly to close at R13.70, with foreign sellers at R13.65.
Timberframe plan to tackle homes crisis

NOVEL low-cost timberframe housing schemes are to be introduced into areas of Crossroads, Winterveld and Thembusa townships from early January, SA Lumber Makers' Association (Salma) marketing manager Mike Richards said at the weekend.

The cost of these timberframe homes was relatively low, starting in the R650 to R2 000 range — the same price paid for the existing shacks.

There were two sizes of shack — five by three metres and six by four metres. The structures would take the form of an open room which could later be modified or separated by a partition, Richards said.

"The timberframe homes will be built on a modular basis so they can be upgraded or expanded at very little expense," he added.

For this price, the consumer would either be taught how to cut the wood and assemble the shack, or it would be supplied in a panel form that could be erected immediately.

A low-pitched tile roof or a double-tile roof (using Marley tiles or something similar) would be included, as would steel windows and wooden doors.

An advantage of the scheme, Richards said, was that the consumer would be trained to erect the structure.

The consumer could then turn the knowledge into a business by becoming a shack-builder, Richards said.

However, a problem existed among black consumers as they had aspirations of masonry-type houses, which were not viable at the price they could initially afford, Richards said.

The three communities had been approached and educated concerning the viability of timberframe housing. He said Salma had assessed the requirements of the majority of consumers. The demand for this type of housing ranged from 200 to 2,000 in each of the areas.

The claim that the SA climate was too harsh for timber structures was not true, Richards said.

Proof of this was that a number of perfectly sound timber houses were still to be found in Pilgrims Rest and Johannesburg.

The timber was treated at a mill and then, as with any house, regular maintenance was required, Richards said.

" Timberframe structures are undoubtedly one of the most competitive forms available for quality low-cost housing," he concluded.
Sappi launch a coup for SA company

THE international unveiling of Sappi's new European paper-manufacturing arm has been hailed as a major creative and organisational coup for local marketing company Holiday Hay and Associates.

The Randburg-based company was selected from a shortlist of local and overseas marketing organisations for the launch — described by Holiday Hay's Peter Holliday as "probably the biggest corporate launch undertaken by a South African marketing company here or anywhere".

One part of the project involved the detailed planning, organisation and staging of a weekend-long banquet launch of Sappi Europe in a 12th century Italian castle before an audience of the world business elite. Nine separate factory launches followed at five centres in Britain over 10 days to well over 2 000 guests and staff.

**Investment**

A Sappi Europe executive has rated the whole operation "a tremendous success".

The launch was to celebrate Sappi's investment in five paper mills in the UK and their incorporation into a single company.

Said Peter Holliday: "It's unusual for a South African company to be involved in the launch of a foreign business operation — certainly one of this magnitude. It was a big tribute for us, but it's the kind of thing that we are uniquely equipped to handle."

It was a massive turnkey assignment — everything from corporate image, logo and brochure design, direction of a three-screen video presentation, staging floor shows to chartering planes, booking airline tickets, hiring taxis, artists and technicians, selecting venues and attending to the personal needs of 350 guests from 17 countries.

"The creative part — that was the easy part," said Annie Hay, whose role in the operation was chiefly on the creative side but who helped with other chores such as finding a hire shop in Rome where a dowager guest, whose luggage had been lost, could hire a strapless evening gown, diamonds, tiara and strapless bra for the big gala night.