Multinational Corporations

3 Nov. 1975 — 22 Sept. 81
How Does the Dutch Shell Group Stand up to the World's Other Oil Companies?

As a part of the Shell group, the Dutch Shell company stands out in the world of oil industry. A look at the report for the quarter ending December 31, 19XX, reveals much good news for the company.

The company's annual report highlights the following:

1. **Financial Performance**
   - The company achieved a record high in sales, with an increase of 10% compared to the previous year.
   - Profits rose by 15%, attributed to improved operational efficiencies and market expansion strategies.

2. **Production and Exploration**
   - The company increased its production capacity by 20%, reaching an annual output of 4.5 million barrels.
   - Exploration efforts yielded new reserves in the South African and Australian regions, contributing to long-term growth.

3. **Environmental Initiatives**
   - A significant investment was made in renewable energy projects, initiating a 10-year plan to reduce carbon emissions by 20%.
   - The company's commitment to sustainability was recognized with a sustainability award from the International Oil and Gas Environment Council (I贞).

4. **International Presence**
   - Expansion into new markets, particularly in the Far East and Latin America, led to increased diversification and revenue streams.
   - The company's workforce doubled in these regions, signifying a strategic move towards global dominance.

5. **Technology and Innovation**
   - The company continued to invest in advanced technologies, enhancing the efficiency of oil extraction and processing.
   - A partnership with a leading tech firm resulted in a new software tool for optimizing production and reducing operational costs.

6. **Employee Engagement**
   - Employee satisfaction surveys indicated a 20% improvement in overall morale, with increased engagement and motivation.
   - A robust training program was implemented, providing ongoing education and skill development for employees.

7. **Corporate Social Responsibility**
   - The company initiated several community projects, focusing on education and healthcare, which received positive feedback from local communities.
   - A corporate social responsibility report was published, outlining the company's commitment to social and environmental responsibilities.

The Dutch Shell group continues to be a leader in the oil industry, with a strong focus on innovation, sustainability, and growth. The company's performance and initiatives are expected to continue shaping the future of the industry.
INSIDE MAIL — Comment

The big ones — bogymery of the world’s economy

JOHN IMRIE

If Charles Levinson is correct, then 1,800 “multinational” companies are rapidly gaining control of the global economy and are having an expanding their power at the cost of inflation, unemployment and recurring economic crises among the nations of the world.

And if he is correct, then the world’s economists and politicians have a whole new ball game on their hands.

But at present Levinson’s ideas are too fantastic, too revolutionary and too early for them to accept and he remains, for the moment anyway, a prophet without much credibility in his time.

Nevertheless, Levinson’s extraordinary analysis of what is happening to the world economy, and his explanations of how it is all going, have not, so far, as I know, been seriously refuted and therefore they deserve some consideration.

The thing which Levinson sees so clearly is the emergence of a two-tier global economic system, the top level dominated by a complex, tightly-knit web of multinational or international companies whose activities are to all intents and purposes beyond the control of governments.

The lower level he sees as comprising the traditional national economies, which are separate and competing, linked only weakly through foreign trade and superfluous inter-governmental arrangements with no real power or substance.

Levinson sketches a startling picture of this “new integrated global economy of the multinational enterprise” — the most important element in it being 1,800 companies which already control 75 per cent of the Western world’s capital, industrial production and distribution, and dominate foreign trade and the monetary system.

Hundreds of thousands of joint ventures (“there are between 10,000 and 20,000 joint ventures between the major oil companies alone”), participations, bequests, joint memberships on boards of directors, and fast banking connections and ownership represent only a few of the most visible and evident of the thousands of different links, both formal and covert, which bind these companies and their global system together.

There is, says Levinson, little crisis evident in the top-tier multinational economy, but crises are occurring in the lower-tier national economies where serious, persistent unemployment, inflation and monetary crises are taking place.

“Many regional economies are in trouble as a result of trade deficits, inflation and so on. The multinational companies, multinational financial institutions, and their banks, into other currencies to protect assets or make speculative gains, thus aggravating the difficulties of the national economies.”

In Levinson’s view the two tiers have two end purposes in the national economy, capital, labour and raw materials are used to produce goods and services, whereas in the global sector, production, labour and raw materials are used to generate capital with which to grow and extend the multinational’s power rather than merely maximize profits.

His projections of the capital requirements of the multinationals, particularly the science-oriented, technology-based ones, are staggering.

The oil industry’s needs for the 1970s he estimates at nearly six times its investments in the 1960s while in the chemical and plastic industries they are three and four times what they were in the 1960s.

“Together these three industries’ requirements will account for 50 per cent of all industrial investment between $400-billion and $500-billion before 1980 have been predicted.”

First, nearly 65 per cent of manufacturing investment in the global economy is for technology to improve cash flow and productivity rather than increase output and capacity, and this reduces the labour requirements in the industries.

“Even in recessions such technology-oriented investment continues. In fact it even increases during periods of falling sales as loss in volume sales is compensated through price rises, a situation abundantly evident today in the auto, oil and chemical industries.”

Secondly, increasing proportions of the global enterprises’ total investments are being switched from their countries of origin to on-site foreign production — and this further reduces national employment.

Presumably, though, this would be balanced by the employment created in the receiving country.

Not so, says Levinson, pointing out that the older plants in the country of

Business giants may dictate terms — prof

By GORDON KLING

THE INFLUENCE of global business giants was becoming more important than the nation-state and this would have far-reaching implications for economic and political developments in South Africa, according to a leading authority on international business.

In an interview after an address to the University of Cape Town Graduate School of Business Association yesterday, Professor T D Weinschill said US multinational corporations would conduct their affairs in the Republic on the basis of what was good for business.

Their decisions were more significant than was the attitude of the US Government.

He agreed with a recent statement by the US Ambassador to the United Nations, Mr Andrew Young, that major businesses in South Africa were capable of bringing about social and political change. Many companies here were already doing so.

Multinational companies had found it worthwhile to pursue undertakings in South Africa and they would continue to do so.

“What will happen in South Africa will eventually depend on what business thinks is good for it,” he said.

Professor Weinschill, who is visiting professor at the UCT Graduate School of Business, had earlier told a meeting of the association that the growing role of the multinationals was improving prospects for world peace.

The notion that big business thrived on war had been outdated since World War I, and was now a disaster to business.

Major companies were now taking an active role in preventing a buildup of international tension. They were also proving more effective in bridging the gap between rich and poor countries than governments had been and big business was responsible for a redistribution of wealth and technology to the Third World.

In addition, trade unions were uniting throughout the world in response to the global activities of the business giants, and financial institutions were forging new links to prevent political interference in business.

Professor Weinschill said he could envisage the day when many functions which were now the responsibility of government would be taken over by the multinationals.
One way to boost the economy without further inflation

JOHANNESBURG — A new deal for multi-national companies, allowing them to borrow more in the local capital market and thus boost employment and industrial output, is suggested in the latest issue of the Hill Samuel quarterly appraisal.

It recalled that some years ago, when South Africa was regarded as a prime investment area by multi-national companies, a limit was placed on the amount which foreign controlled companies could borrow in the local capital market.

This restriction led to the parent companies being forced to obtain finance overseas if they wished to expand their operations in South Africa, resulting in an increase in the inflow of foreign capital.

Today, however, many multi-national companies were reluctant to increase their financial exposure in South Africa.

"With little likelihood of more overseas finance, and as foreign controlled companies operating in South Africa have generally already borrowed as much as in the local market as they are permitted to do, the ability of these companies to expand is, at best, limited," said Hill Samuel.

A reassessment of the advantages to the economy of the borrowing restrictions might therefore be worthwhile.

To bring about an upturn in fixed investment outlays in present circumstances would appear to be nearly impossible, it said, and an attempt to force an increase in fixed investment by conventional means would not be practicable.

"If monetary controls were to be relaxed, there would be adverse side-effects in terms of inflation, higher imports and lower interest rates while a demand for credit, especially for investment in plant and equipment, would not necessarily be generated, least of all in the case of foreign controlled companies, because the local borrowing restrictions would be unaffected."

By concentrating upon foreign controlled companies when considering stimulating the manufacturing sector, however, rather than attempting to push the entire sector out of recession, it would be possible to achieve a large number of the economic objectives.

"If the limitations on local borrowing were to be abolished, it could be expected they would use their new found freedom to increase the profitability of the local operation in order to generate as much as possible in the form of dividends, which could be remitted to the parent company."

"The most obvious way of increasing profits would be by expansion. As there would be no point in expanding in areas where there is already insufficient demand, it would appear to be logical there would be an introduction of new products, and that some of these would be import substitutes."

It added: "South Africa would, therefore, enjoy the benefit of an expansion in the manufacturing industry, a higher growth rate, more fixed investment and an increased exposure of foreign companies in this country."—SAPA.
R7.2m to run city in March

EAST LONDON — It cost the ratepayers R4.5 million to run the city in February and R7.2 million in March. The difference is because investments on short term were different for the two months. In February there was R2 million in short term investments — the surplus of cash in hand usually paid in by ratepayers, the government and province for rates and subsidies — as against R4 million in March.

Other payments in March included R450 674 to Escom for electricity, but this is repaid by the consumer. R777 161 for salaries and wages, R536 517 for stores and materials bought during the month, R319 195 for contracts in capital works.

including the Wilsonia market, and R104 426 for the North-East Expressway and the John Vorster Bridge to prepare it for the opening. — DDR
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This illustration, from the Caltex Waterbirds Series, is of a Gannet Tern and its young. Sometimes seen in pairs around our estuaries, their main breeding colony is at St Lucia in Zululand.
Are transnationals good for SA?

The multinationals are among the greatest resources for transferring technology and education. Most do it well, some are exploitive. But rather than pillory them, we ought to use them. — Father Theodore Hesburgh, president of Notre Dame University, from "Does capitalism work?" Time, April 1980

Transnational corporations are agents of under-development — First Exploratory Consultation on Transnational Corporations, held by the World Council of Churches at Cartigny, January 1977

Diametrically opposed as the two quotes are, each is an argument for the continued presence of multinationals in SA — and more, not less, of their investment in this country. If Father Hesburgh's statement is right — and the international evidence suggests it is — then multinationals are bound to help accelerate the pace of positive change.

If the adversaries of multinationals really believe that foreign companies are poison to a country — and increasing restrictions, particularly in Third World countries, on multinational operations suggest they do — then surely they should hail and encourage their presence in SA!

This kind of view — although for different reasons — was in fact advanced at the BBC Reith lecture last year.

"Western investment," said Kenyan-born Professor Ali Mazrui, who heads political science at Michigan University, "will help create conditions for a revolutionary situation in SA before the end of the century." His reasoning: "Revolutionary situations often occur when progress is being made, but not fast enough to overtake expectations.

In any case, as newly invigorated campaigns for divestment in SA are troubling boardrooms from Detroit to Den Haag, extensive expansion plans for the medium-term by SA's established foreign companies are now being implemented. At the same time, dozens of British, French, German and US companies — among others — are contemplating setting up shop in SA.

In a world plagued by economic stagnation, scarce or tightly controlled natural resources, nationalisation, drives for more stringent regulations for local participation, and financial restrictions in many countries SA appears to foreign business as the next best thing to paradise.

Of course there is the big "except for" due to SA's political climate, and several chief executives of local multinational subsidiaries have expressed the fear that the logic of Professor Mazrui's statement might not have hit home with SA's government.

On the whole though they are fairly optimistic that the political situation will resolve itself positively during this decade "one way or another." They are bracing themselves for "some hiccups on the way, and for a "rather hairy period for a couple of years."

As the MD of one of the biggest foreign companies operating here puts it: "Our aims are long term. We plan to be here in 15 to 20 years. time no matter who's in...."
The first interview Soviet Party Chief Leonid Brezhnev ever gave to American journalists, he gave to TIME.

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government
SA's planned rural and urban development, its raw materials, the comparatively last-rising spending power of its expanding population and not least its relatively liberal open-arm policy towards foreign companies are an aphrodisiac to the multinationals. For its part SA, or at any rate an SA worth living in, cannot do without them.

Multinationals — or transnational corporations (TNCs), as international bodies call them — control SA's strategic oil, electronics and motor industries, dominate in banking and in the electrical sector, and their share of the non-gold sector of the mining industry is rapidly increasing. They make SA's soap powders and quality chocolates, a large proportion of its synthetic fibres, processed foods, toiletries and cool drinks.

Together, they provide jobs for some 250 000 to 300 000 people, and recently appear to have overtaken local industry in high-quality training of skills and the general upgrading of the black population. Together, TNCs have some R6 billion directly invested in SA in historic terms, in terms of current assets, it is maybe three times that amount.

If the medium-term investment plans of 18 TNCs researched for this survey are taken as a yardstick, their stake could increase by another R6 billion, and more, during that period. But whereas all the company heads interviewed emphasized their determination of “sitting it out” in SA, almost all added a proviso: “Politics permitting, when talking expansion.

That includes politics back home — the famous “harassment factor.” Said an oil company chief executive: “Our group chairman spends 30% of his time in SA, and he isn’t the only head office executive so involved. That’s ridiculous of course, and builds up an attitude of ‘Is it all worth it’?

Unless the ‘harassment’ gets disproportionately worse — a contingency that would be precipitated, as everybody interviewed was at pains to stress, by any new major political action reaction — chances are that the TNCs will find it all worth it.

Average profitability on capital invested is around 14.9% after tax in SA, peaking for some at double that, and more. The equivalent average is 9.5% in the US and said to be “considerably lower in European countries.” According to the (US) BERI Institute SA’s profit on foreign investment is seven places last year in its risk rating for foreign investment to 12th place, ahead of the rest of Africa and all Latin American countries.

A major proportion of the proposed new investment will be from locally-generated cash and foreign borrowings. But the financial risk is now an attractive vehicle for foreign investment too. Last year, Volkswagen was the first to announce it would take advantage of the new provision by bringing in R33m as part of a R100m three-year investment programme. In March, BMW announced R20m new foreign investment, part of a R150m medium-term expansion. A “substantial portion” of Hoechst’s planned R150m investment to 1985 will come from the parent General Motors brought in R20m last year and so on. Most companies prefer to keep a low profile for the record.

For the past few years, TNCs themselves are trying to reduce harassment from outside by reorganizing and restructuring their labour policies and expanding activities connected with “social responsibility.” This is in line with the requirements of the various voluntary codes of conduct to which they subscribe, or are meant to subscribe — though many company heads protest that “outside pressure has little to do with it.”

How do they shape up? To get a representative idea, the FM researched TNC activity in general and that of 18 companies in particular. Together, those 18 account for about 25% of multinational companies in SA in terms of assets, employment and sales.

Their combined turnover amounts to over R5 billion in 1979; their fixed assets to about R3 billion, and their medium-term investment plans conservatively estimated, to just under R2 billion. The smallest among them had sales of R20m last year, the biggest, sales in excess of R1 billion.

The majority were in the R150m to R300m turnover bracket. Thus, together they constitute about 25% of multinational companies in SA in terms of assets, employment and sales.

In 14 of the companies, interviews were equally divided between management and the work force and the selectivity of company records including the payroll, training in action and employee facilities. With the remaining four, information from management was augmented by employee interviews outside the companies.

Enough is on record for the answer to the question: “Are multinationals good for SA?” To be a resounding YES from the economic point of view. But the questions increasingly being asked about multinationals nowadays are: “Are they good for SA’s black people?” Will they help or hinder black advancement? This Special Survey attempts to provide the answers.

—— Codes in perspective

Harnessing the workhorse

The international business community knows that its future and the potential growth in the developing world are intertwined. The challenge lies in turning possibilities into realities. Multinational corporations, which have been described as the “workhorses of the world,” can make a vital contribution to meeting this challenge — Orville L Freeman, president, Business International Corp., and former US Secretary for Agriculture, in an interview with CTC Reporter, Autumn 1979.

The business community may know, but for the past 10 years it has had trouble getting others to believe that massaging for TNCs, the Seventies have gone down as the decade in which the honeymoon finally ended. Granted unfettered hospitality or even courted with incentives, they had, for over half a century, vigorously expanded their global net works. The risks were often high, but then so were often the profits.

As marriages of convenience go, those between TNCs and their host countries appeared, on the whole, eminently suitable, since each had what the other needed to make it sparkle.

True, some multinationals were carpetbaggers who went into countries for a quick buck, only to dissociate with the boodle as soon as that objective was reached. They left behind depleted resources, a legacy of unemployment, and a drinking name for the franchise as a whole.

But the majority of TNCs established (at least since the late Fifties) the trend of contributing more to their hosts’ economies than they took out, be it through direct investment, reinvested profits, the creation of jobs and raised standards of living and, not least, the transfer of their technologies.

To be sure, their “benevolence” is rooted in enlightened long-term self interest. TNCs became good corporate citizens in their host countries because the latter's raw materials and/or ready markets and their manpower are their lifeblood. Conversely, TNCs’ investment and technology mean to most of their hosts the difference between underdevelopment or economic stagnation, and development or growth.

The relatively smooth inter-relationship might have gone on indefinitely, had it not been for developments during the Sixties that changed trans-economic relationships the world over — the rapidly growing power...
bases in international forums of the newly independent Third World countries and of organised labour.

Neither of these groupings, however, started the ball rolling. Ironically, the kick-off came from business scholars in the US, the home base of the biggest and most numerous TNCs.

Even more ironic, in the light of subsequent developments, was the drift of the initial debate. TNCs came under scrutiny in the late Sixties/early Seventies because of the perception that they were exporting too many jobs from the US, thereby aggravating the country's already unfavourable and deteriorating balance of payments. Soon a specific big issue - the 1972 US Senate investigation into the activities of ITT in Chile - broke ground for a US government investigation of multinationals as such.

It also led, in 1973, to the appointment of a group of 20 Eminent Persons by the UN Economic and Social Council Their brief 'To study the role of multinational corporations and their impact on the process of development, especially that of the developing countries' - and to submit recommendations for appropriate international action.' The Group of Eminent Persons produced a report that recommended, inter alia, the formulation of a voluntary code of conduct.

These were prepared by a 1975 'Committee on International Investment and MNEs (Multinational Enterprises)', composed of senior representatives from all 24 industrial country member states. The interests of industry were represented by the Business and Industry Advisory Committee to the OECD, and those of labour by the Trade Union Advisory Committee. The Guidelines, together with an Inter-governmental Consultation Procedure, were adopted by the OECD Council at ministerial level in 1976.

The Guidelines are recommendations and stress that no difference in treatment between multinational and domestic enterprises is aimed at. Rather, they are entitled 'reflect good practice for all.' A multinational is defined as any organisation with one or more subsidiaries in a country other than that of the parent company.

Nine detailed paragraphs cover the key section employment and industrial relations. The principles enshrined in them should be followed by enterprises 'within the framework of law, regulations and prevailing labour relations and employment practices, in each of the countries in which they operate.'

The salient points are:
- Freedom of association, employers to negotiate individually or collectively with employee organisations for agreements on employment conditions, provision for dealing with disputes arising over interpretation of agreements and for ensuring mutually respected rights and responsibilities.
- Provision of any required facilities to employee representatives for the development of effective collective agreements, provision of any required information for meaningful negotiations on conditions of employment.
- Subject to local law and practice, provision of information to enable employee representatives to gain a true and fair view of the performance of the company and/or group.
- Standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.
- To the greatest extent practicable, utilise, train and prepare for upgrading members of the local labour force in cooperation with employee representatives.
- Give reasonable notice to employees of any major changes affecting the livelihood or employment of employees, particularly in connection with collective lay-offs or dismissals, cooperate with employee representatives to mitigate adverse effects to the maximum extent.
- Employment policies, including hiring, discharge, pay, promotion and training, without discrimination, except where affirmative action is part of a government programme to promote greater equality.
- Not threaten to transfer all or part of an operating unit to another country in an effort to hinder the right to organise or to influence unfairly bona fide negotiations with employee representatives.
- Enable authorised employee representatives to negotiate on labour-management relations issues with management representatives authorised to take decisions on these issues.

As a result, the UN General Assembly resolved to set up a permanent information and research Centre on Transnational Corporations, and to form a 48-member inter-governmental Commission on Transnational Corporations (CTC). The latter held its first session in 1975, adopting the code as its top priority objective, in collaboration with the International Labour Organisation (ILO) and Unctad (UN Conference on Trade and Development) for industrial relations and transfer of technology/restrictive practices, respectively.

The main body of the code is expected to be finalised this year.

The debate has firmly shifted from business institutions to the US and international political forums and public interest and pressure groups.

In the eyes of labour, TNCs embody rampant capitalism. To Third World countries, they are the seamless successors of colonial imperialism. Both interest groups - and others who were soon to join them - had discovered the TNC's twin characteristics of vulnerability and their inherent imperative of continuous growth lest they deteriorate, and their status as aliens at the mercy of their hosts.

Having thus identified the soft transnational underbelly, the Third World organised labour set about attacking it systematically, with increasingly tighter strings attached to operations. That curtailment of TNCs often also means a slowdown in the host's progress does not seem to matter. Nor does the recognised vulnerability prevent interest groups from attributing all-pervading power to the multinationals.

Thus, from the early Seventies, TNCs stand accused of meddling too much (mainly in Latin America), and are being chided for interfering too little (mainly in southern Africa) in the socio-political affairs of their host countries. They are.

Multinationals Survey (Supplement to Financial Mail June 27 1980)
...for their purported control over world trade and prices, ability to shift capital around to maximise profit (at the host's expense of course), and propensity for taking unfair advantage of cheap labour (Third World) or not giving labour enough say in their foreign-controlled companies (industrial countries).

At the Fifth Assembly of the World Council of Churches at Nairobi in 1975, TNCs, as a whole, were also charged with producing the wrong type of goods ("invariably meant to satisfy the needs of an elite class") and using the wrong technologies (ill-suited for the needs of poorer countries).

And it wasn't all just talk. Latin American and African governments, in particular, increasingly introduced local control legislation and/or partial nationalisation. So did India while even Canada and Australia became more restrictive towards TNCs. Algeria went the whole hog by not allowing foreigners to hold any equity whatsoever, while using them for management and technology contracts.

Some countries including SA, restricted capital transfer and profit remittance, or forbade the outflow of dividends altogether - SA's attempt in 1977 at limiting profit remittance to the current year was quickly relaxed again when it became apparent that the measure was counterproductive, companies which traditionally reinvested up to 60% of their profits, suddenly increased their dividends lest they got stuck.

Countries, again including SA, also curtailed TNCs' local borrowing powers and introduced fairly rigid local content clauses for certain industries. Local content does not single out multinationals, but invariably affects them most their international profitability usually hinges precisely on easy interchangeability of their transnational manufacture.

As a result of these and other actions, the modus operandi of multinationals is now in many parts of the world a precarious exercise. Royal Dutch/Shell's late...
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SCANIA TRUCKS QUALITY INVITES COMPARISON
An intergovernmental group of experts was appointed in 1975 by Unctad (UN Conference on Trade and Development) to work out a code of conduct for technology transfer. Because of differences between experts from industrial and Third World countries, progress has been slow.

It and when a compromise is reached, the result is expected to be a non-binding resolution. However, some countries have already indicated their intention to translate such a resolution into their domestic legislation, in which case it would be legally binding in these countries.

The drift of the discussions can be gleaned from a statement by Klaus Sahlgren, executive director of the Centre on Transnational Corporations, at last year’s UN Conference on Science and Technology for Development:

“It is necessary that TNC subsidiaries and affiliates must play an increasingly positive role in the development of domestic innovative capability.”

Sahlgren said that technological developments have been almost wholly confined to institutions in their home countries, or in other industrialised economies. This pattern needs to change and R and D efforts and capabilities must be rapidly developed, both at enterprise level and through suitable linkages with technology institutions in host developing countries.

“National policies on science and technology in relation to TNCs should also define parameters and guidelines in terms of fiscal, promotional and regulatory measures.”

These should, on the other hand, accelerate technological development and maximise the use of domestic techniques and processes and on the other hand ensure adequate inflow of appropriate foreign technology in desired sectors. Through TNCs and from other sources of technology, TNCs must be responsive to such policies and guidelines and the operations of their affiliates must be consistent with national policies.

Conduct for the subsidiaries of member states companies. It is also true that with the CTU in New York TNC activity in SA has indeed become a prime focus of research resolution and proposed action.

From the international activists’ point of view this singling out makes perfect sense. If the ultimate aim is to get at multinationals as such SA’s laws and regulations, even present convoluted reforms make it a logical focal point. Meaning the double standard will remain a fact of life so long as the laws and reforms by exemption remain and no amount of protesting that wages in say Tanzania or Hong Kong are lower and conditions of employment here vastly better than those in Zaire and Brazil (among others) are going to change that.

Labour specialist Loet van der Linde of Wits Graduate School of Business Administration recently emphasized to a group of TNC industrial relations executives: Organised labour is going to involve itself in the monitoring of the codes and agreements. The issue of these companies or in the country at large can trigger off a reaction and you can expect action.

Dawes Deiker had just returned from
senor MD Michael Pocock warned, in an address to the Harvard Business Club last year, against tipping the balance. Said he
"In a world of highly competitive nation states, jealous of their sovereignty, multinationals have to strike a balance attempt- ing to respect different national aspirations, while ensuring the continuous high standing and viability of the group as a whole.

"A multinational has to pack its way like a tightrope walker, balancing with the help of a long rod weighted at each end. Sovereign states, society, pressure groups, individuals, are all at one time or another distracting its attention, adding or subtracting weights to the rod, helping or hindering its progress along the wire. Balance must be kept, weight subtly redistributed.

"There is, however, one big difference the tightrope walker as an entertainer, the multinational as an integral and vital part of the whole international scene." He concluded with the hope that governments will "not take actions that may upset the international balance of economic growth and interdependence, however imperfect they may think that balance is.

Alarmed, and no doubt mindful of a few black sheep in their midst, prominent TNCs offered, early, their assistance in the formulation of voluntary codes of conduct and operating guidelines to govern- ments and institutions in both industrial and developing countries.

The first result was Guidelines for International Investment, by the International Chamber of Commerce. It has the wholesale support of national committees in developing countries and was hailed as a "trail blazer" in 1972.

A series of other voluntary codes, guide-

THE ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, is grouped under five headings: general policies, employment, training, conditions of work and life, and industrial relations. The Declaration addresses itself to governments, employers and workers' organisations in home and host countries and to the TNCs themselves.

Its aim is "to encourage the positive contribution which multinational enterprises can make to economic and social progress, and to minimise and resolve the difficulties to which their various operations may give rise, taking into account the UN resolutions advocating the establishment of a new international economic order.'

TNC executives, sensitised by years of being accused of corruption, inefficiency and general uselessness to de-
Bowring

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It is rather unnerving to have to see, in black and white, how little visible progress has been made from one year to the next, when filling in those damn forms. After the first one, we decided to introduce a firm programme, with targets, training courses and monitoring Come 1981 and we will see some dramatic improvements — Personnel Director of a US food processor, on the Sullivan Principles, February 1980

Q: Are you lagging behind the multinationals?
A: No. Most foreign companies until very recently lagged behind major SA companies, not just behind our group. Perhaps at the time the general outlook was that it was wrong for them to take an attitude which implied political stance — it's a very good thing this has changed. The idea that SA business has been led by US and British companies to improve conditions is just wrong — Harry Oppenheimer, in Survival, November 1977

The food processor's earlier reassessment and newfound enthusiasm for labour reforms is fairly typical of the broad middle-range of foreign companies active in SA. But Harry Oppenheimer's assessment of TNCs in general as laggards, wasn't really fair if apples are compared with apples. Major foreign companies — among them Shell, BP, Caltex, IBM, Unilever, General Motors, Siemens, Metalbox, Mobil, Ford, Nestlé and Hoechst — have been among the trendsetters in SA labour reforms.

From 1977 on, the foreigners actually started leaving many of their local counterparts behind regarding pay, fringe benefits, training, and specifically by introducing time-tables for goals in upgrading 1977 was a watershed year, marking the introduction of foreign codes of conduct for fair labour practices in TNCs. Much righteous indignation from the business community at large greeted the appearance of the first code specifically for TNC activity in SA. That was the Statement of Principles, prepared under the leadership of US civil rights leader and General Motors director, the Reverend Dr Leon Sullivan. It was launched in March 1977 with the endorsement of 12 mutual signatories, who pledged to report regularly on progress in labour policies and practices, black advancement and outside social responsibility.

Six months later the foreign ministers of the nine EEC member countries ratified a code of conduct for companies with interests in SA. Again cries of "double standard" (justified), "unreasonable demands" and "meddling" abounded. Yet today, a mere three years later, top business leaders of both domestic and foreign companies acknowledge the codes as potent agents for social change, while top government politicians privately admit they consider their introduction a blessing in disguise.

It's not just the fact that the Sullivan Principles had 135 signatories by last October that some 120 European companies report now in terms of the EEC code, that led to this change of heart. Nor that within most subscribing TNCs training budgets have doubled and trebled within the last three years and community education projects worth several million rand have been started, particularly by the US business sector. Code subscribers account for only 150,000 jobs or less. So what counts is the ripple effect in the community at large.

The first effect was to accelerate the formulation of a much overdue indigenous code, that of the Urban Foundation/SACCOLA (SA Employers' Consultative Committee on Labour Affairs) and the dispatch of its first questionnaire this April. That the latter is almost laughably timid compared with the precise format of the Sullivan prototype ("What are the reasons for unequal pay scales?" — six pertinent reasons to lick — "Is there a plan to bring about equality within the next six months?") is a pity but not a disaster. It's a start in a country where most bosses consider their privacy grossly infringed when asked what minimum wages they pay.

In terms of numbers, easily the most important ripple effect was the establishment last year of an informal labour task force by 10 local and partly European-owned companies as a direct consequence of discussions with Rev Sullivan Together, the 10 account for 85% of jobs. Group members — Anglo American, Anglovaal, AECI, Barclays, Barlows, SA Breweries, Nedbank, Premier Milling, Standard Bank and Tongaat — meet once a month at chief executive and executive personnel management level to compare notes on progress and problems.

These organisations, together with the Rembrandt and General Mining groups, and, on a much smaller numerical scale, the Pick n Pay retail chain, had been in

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forefront of local labour reform from the early Seventies. The significance of the task force is that the ILO decided to tighten up on their procedures and bring them in line with the standards set by Sullivan.

And although, in the words of the personnel director of one of the IO, there's no way we will ever actually report to a foreign body — which is what Sullivan wants — group members have instigated internal reporting along the lines of the Sullivan questionnaire with monitoring by the head offices. In at least one of the organisations (accounting for some 75 000 jobs) labour reporting has been integrated into the yearly budget exercise, with full accountability for pre-set targets in training and upgrading.

Leaving aside the fact that for a peaceful solution in SA every job counts, this development alone surely makes nonsense of the conclusions of a 1979 UNCTC study entitled TNCs in Southern Africa: Impact on Financial and Social Structures. The study concluded that "given the fact that South African firms today provide viable alternatives in most sectors of the economy, the conventional argument that the transnational corporations' continued presence is necessary to maintain employment of black workers and provide pressure for improving existing employment conditions in their sectors, is not very persuasive." In relation to TNCs themselves, the codes have been criticised as wishy-washy by both foreign and domestic commentators. In particular, Sullivan came under attack from labour for initially leaving out principles pertaining to trade union rights for blacks and involvement towards changes in influx control laws. This was promptly rectified with additions to Principles 2 and 6 in 1979.

As the evaluating consultants Arthur D. Little Inc state in the introduction to the Third Report on the Signatories, "The Principles are evolving. We recognise that any programme is inevitably going to undergo constant revision, because the requirements will become more stringent. New requirements for the next round will be detailed progress reports on education training, management development and assistance to black business. Baseline data for this was gathered in an interim report which signatories had to file by mid-February 1980."

Hailed initially as much more comprehensive, the EEC Code soon revealed a serious flaw when it became obvious that nobody really accepted responsibility for its monitoring. Whereas Sullivan signatories all refer to Arthur D. Little, European companies report to their parents which in turn are meant to report to the respective governments. Except for UK and German companies, not many fulfill the second requirement.

Moreover, the EEC questionnaire forced...
Six basic principles make up the Sullivan Statement. They are:

- Non-segregation of the races in all eating, comfort and work facilities
- Equal and fair employment practices for all employees, incorporating freedom of association.
- Equal pay for all employees doing equal or comparable work for the same period of time.
- The initiation and development of training programmes that will prepare substantial numbers of blacks, coloureds and Asians for supervisory, administrative, clerical and technical jobs.
- An increase in the number of blacks, coloureds and Asians in management and supervisory positions.
- Improvements in the quality of employees lives outside the work environment in such areas as housing, recreation and health facilities. This includes support for changes in influx control laws to provide black migrant workers with the right to normal family life, and (though the precise formulation is not yet available) to promote and assist black, coloured and Asian business enterprises.

In the latest Sullivan Report (the Third), for the six-month period to June 30 1979, 22 companies were rated as making good progress, 62 as making acceptable progress, and nine were listed as needing to become more active.

Three signatories — Colgate-Palmolive, Merck & Co Inc and Union Carbide — had split ratings (for different locations) between good and acceptable.

Those which need to improve are Mondi, Imperial, Butterick, Carnation Foods, Femo, Ferro Industrial, International Harvester, McCann Erickson and Tanpax.

Companies with a straight top rating employing over 1 000 blacks include Cadex, Esso, Ford and Mobil.

The evaluators reported that rating for the acceptable category was imprecise, as it lumped together companies which almost made it into good as well those on the verge of not being acceptable. General Motors, for instance, failed to make a top rating because all its facilities from canteens and toilets to lockers were in the process of being rebuilt from scratch.

In 75% of units evaluated (i.e., each separate plant location of more than 50 employees) all facilities were non-segregated, in 29 units non-segregation was scheduled by the end of 1980, and 11 pleaded that the laws were against such a move.

Another 10 units said they occupied multiple-tenancy buildings in which the landlord provided segregated facilities — but at least one signatory is known to have successfully negotiated the elimination of segregation in such a situation.

The laws have ceased to be an obstacle in this and other labour-related matters for any determined boss.

Excluding combined reports (which may present a false picture of integration) 27% of the black workforce, 62% of the white, 54% of the coloured and 74% of the Asian were in integrated job categories. Numerically, those in integrated categories were up from 15 275 to 20 178 since the Second Report.

A total of 54% of the integrated workforce had earnings which corresponded to, or were above, the average for their respective grades, breaking down into 43% of blacks, 63% of whites, 48% of coloureds, and 38% of Asians. Comment from the evaluators “In those job categories where both races work, the average income is skewed toward the level of the white employees, principally because most whites have been on the job considerably longer than blacks.”

While in the highest salary job categories whites represented 90% (up 10%) of these employees, the percentage of white top wage earners declined from 72% to 61%, with blacks and coloureds filling the gap. In the top wage grades, blacks made up 27% (up from 17%) and coloureds 11% (6%).

Signatories employed 596 black supervisors (27% of such positions) and 43 managers (3%); and had another 347 supervisors and 52 managers in training. Of the total workforce, 12% of blacks, 14% of whites, 15% of coloureds and 17% of Asians were in training at the time of the Third Report.

The majority of units provided employee benefits equal to or better than whites' to all groups. 61 units did not extend housing assistance to non-blacks and 25 did not provide educational assistance to non-blacks. But 14 units excluded blacks from medical aid. This may mean that blacks elected not to join medical aid, but this was the case in several companies researched.

Trade unions were active in only 13 signatory companies (40 reporting units) and of these, all races were represented in 10 (up by two), whites and blacks in three (two) and blacks only in (two) tone. In 30 units (up by two) trade unions consisted of whites only, in six (two) of coloureds only and the rest had various mixes of whites, coloureds and Asians.

Roughly 80% of units claimed to have well-functioning grievance procedures and an open door policy. The next Report will question whether grievance procedures are written and posted in such a way that everybody can be aware of them. That might not mean much. The FAM saw well displayed grievance procedures in companies yet some elected employee representatives were unable to tell what the procedure was, while others did not know what the questioner meant. Two representatives said categorically that there was no grievance procedure — and they were not being sarcastic.

The signatories take their social responsibility seriously. In 1978 (according to 12-month budgets) they spent R1 152 077. For the first six months of 1979, the figure was R2 783 678.
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late for inclusion, while eight companies filed their first report and have thus not been rated. Also excluded were two companies—Pan Am and Engelhard Minerals—which filed inadequate reports, while another eight, including ITT, Phelps Dodge and Revlon, chose not to report for the last round. Taken together, these companies account for another 15,000-20,000 jobs, which brings the number of signatories to within 85% of US job providers in SA. (The remaining signatories are endorsers of the Principles without enough black employees to warrant reporting.)

Similarly, Bundesbank statistics list 187 German subsidiaries in SA with only 46 reporting for 1978/79. But analysis reveals that these 46 account for over 90% (30,488) of all jobs in German companies.

Slackest homebase controller is probably France, which also has among the smallest direct investment stakes—about R500m (the biggest single chunk of it was Total Oil) against an estimated R2.7 billion for the US, some R2 billion for the UK and about R1 billion apiece for Germany and Holland. Typical of the French attitude is probably the experience of an MD of a 100% subsidiary, who was queried about housing assistance for blacks after his progress report a year ago. Having to fully finance a relatively young company from locally generated cash, and with his local borrowing restricted to 33.3% of a miniscule investment base, he replied he could only comply if the parent was prepared to put in the necessary funds. 'I have never heard another word from them on the subject,' he says.

In any event, monitoring pressures will increasingly come from quarters other than parent companies or home country governments. Observes Loet Douwes Philips' Timmer..."Managements may be forced to pay more to fewer people."
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Multinationals Survey Supplement to Financial Mail June 27 1980
GERMANY'S SECOND

If people were perfect, the EEC Code of Conduct for Companies with interests in SA would be an ideal base to report on. Under seven headings, it states exactly what companies should do, but omits to ask precisely what they are doing. The headings are:
- Relations within the Undertaking,
- Migrant Labour,
- Pay,
- Wage Structure and Black African Advancement,
- Fringe Benefits,
- Desegregation at Places of Work,
- Reports on the Implementation of the Code of Conduct

To be sure, companies are asked for a detailed and fully documented report on the progress made in applying the Code, with "progress in each of the six areas indicated above fully covered.

But who's to say what "fully covered" means in response to a subclause (under wage structure etc.) that reads:
"The same pay scales should be applied to the same work. The adoption of the principle of equal pay would, however, be meaningless if black African employees were kept in inferior jobs. Employers should therefore draw up an appropriate range of training schemes of a suitable standard to provide training for their black African employees, and should reduce their dependence on immigrant white labour."

One of the first official reports available from any of the EEC governments was published in January 1980 by the German government. It does not specify which period it covers, but presumably reflects the status quo in German subsidiaries to mid-1979. The rest of the report is similarly ambiguous. The best hard statistic a total of 71 companies reported, accounting for over 90% of jobs in German subsidiaries.

Thus, on industrial relations, "none of the companies rejects cooperation with black trade unions, should the workforce express this wish to management. Some explicitly stressed their positive attitude to black trade unions."

One company had received a black trade union, one reported it was negotiating towards recognition, "others" that black trade unions were members of their liaison committees, and 29 companies (over 91% of jobs) said they had liaison or works committees which either meet regularly or to discuss specific issues.

Only six companies had any migrant worker. These firms said they helped their migrants with housing problems, transport and trouble-shooting with the authorities. On pay policy, the evaluators do not specify what baseline is used -- household subsistence level? minimum living standards? single? family? -- so it is impossible to know whether the statistics are as impressive as they sound.

In 15 companies (60% of jobs) reported the minimum wages are reported to have reached the "plus 50%" requirement on the MLL. Another 11 companies (20% of jobs) said their minimums were above (or "far above") the MLL, but below the plus 50% clause. Nearly all companies stated expressly their pay policy was not racially biased, but based on qualifications and performance.

Several of the companies, which do not meet the Code's pay requirement, stressed that they concentrated on improving the skills of their black workers in order to narrow the black/white wage gap. One company reported it had made a decision against investment rationalisation in favour of providing as many black workers as possible, including unskilled ones, with a secure job and job security as a goal is not reconcilable with the immediate raising of minimum wages for all workers to 50% above the MLL.

Under wage structure and advancement, most firms 'stress their positive attitude towards skills training for blacks, not least out of self interest to eliminate the existing labour shortage.' Companies said the accent of training possibilities is on "a form of basic training, and point to the differences in the starting positions of black and white employees, such as school and life style, which led to differences in performance, with the result that black employees, until now, are predominantly employed in lower grades."

Sixteen companies (62% of jobs) declared they pay equally for equal work, while a partly overlapping 15 companies emphasise access to any job depends purely on the ability to do it.

In 29 companies training would seem to be mostly on the job, while 23 offer formal courses from literacy to supervision. In individual cases the possibility for further education exists, including at the parent company "Black shopfloor representatives at Siemens and Volkswagen, who had spent some months in the respective parent companies told the FM these periods were 'the best' or 'most interesting' part of their training.

It is impossible to make sense of the section on fringe benefits, except that a majority (by jobs) appears to provide medical aid and pensions, housing assistance, and educational assistance to children of employees. Seven companies (about 30% of jobs) said their canteens were desegregated.

The German government explains that "reports were of varying intensity," and that not all companies expressed a detailed view on each individual clause. A number of German subsidiaries are and have been among the leaders of labour reform in SA, as well as a positive influence on the Wiehahn Commission. So it is doubly regrettable that this format of reporting lays the whole German business community open to suspicion of deliberate fogging, with the good guys submerged among the laggards.

These remarks apply equally to UK companies and will apply to Dutch companies soon too -- unless the EEC governments choose to change the reporting format. And after all, if Sullivan can do it. Or is this another demonstration that private enterprise is once again more effective than government control?"
whites earning less and some blacks earning more.

Lastly, two criticisms of the EEC code from within the foreign business community, which the FM endorses. The first concerns the code's concentration on "black Africans": when some 20% of employees in foreign companies are coloureds and Indians — in the FM's sample of 18 companies, the non-African black component was 26%. Sullivan initially made the same mistake, but rectified it in the First Amendment.

The second and more serious criticism concerns the requirement that the minimum wage should initially exceed by at least 50% of the minimum level required to satisfy the basic needs of an employee and his family. Although the government's White Paper on the code accepts UNISA's SLL as fulfilling this requirement, local and overseas labour bodies have largely taken this to mean UNISA's MLL plus 50% for a family of six. Such a blanket requirement, the equivalent of which is not being achieved in any other non-industrial country, may be a noble long-term goal. It is hardly realistic in a country with some 1.5m unemployed, virtually all unskilled, and where no such requirement pertains to the local competition.

There are already worrying results. An increasing number of foreign companies are farming out their cleaning services so as to remove the lowest wage earners from the payroll — the contractor may and often does, pay his labour rather less than the R180-R170 pm the foreign employer paid. Also, many foreign companies take care to select school-leavers or single females for the lowest paid jobs, in preference to somebody with five kids who might be frantic for a job at any pay (Shell is a rare company with a 'contractors policy' that stipulates the latter too, must apply fair labour practices).

warns SA Philips chairman, Jan Timmer. "We live in a competitive environment and there's no denying economic realities. The danger of pushing up labour costs without an accompanying increase in productivity may force management to lay off more people — it's already happening. Much better for overseas pressure groups to focus their attention on training "Philips'" rock-bottom wage cleaners included, meets the 50% requirement on top of the UNISA MLL for single males and females in the various geographic regions.

There is also the example of the motor industry. Until a few months ago, foreign company minimum wages, particularly those of the Volkswagen, Ford and General Motors triumvirate in Port Elizabeth-Durban, were up to 40% higher than those of local companies, including that of Anglo American's Sigma. The motor industry as a whole lost some R65m in the last four years. Most of it by the foreigners. And the latter were also forced to lay off proportionately more workers, or work short than their local counterparts.

In SA industry as a whole, purely economic pressures of a skills-starved economy will in the end determine the precise pace and volume of training — and the rates at which pay scales increase for the newly skilled coming on stream in the next few years.

But no objective observer can deny the important role of the foreign codes as accelerating catalysts, and their value in focusing attention on black management development for which as yet no hard immediate economic pressure exists.
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An awful lot of management time is spent on just explaining where we are at with upgrading, and one gets a bit defensive. Because no matter what one is doing one is being criticised. The reason is partly the massive backlog partly ignorance and partly distrust — Derek Jacobs, Managing Director, Metabox SA.

It would be churlish to add 'and lack of foresight' to Jacobs' list of reasons that apply to SA business as a whole and it would surely be unfair to single out the transnationals. Especially since most of them are trying hard to make up for lost time, often using a more structured approach to reach their objective than their domestic counterparts. Besides, a number of TNCs active in SA could rightly claim to have applied foresight ahead of the locals.

Until the early Seventies, 'transnational' or multinational really meant US and, to a lesser extent, UK companies in the public mind. This wasn't quite correct, since Dutch giants like Philips (which today generates 19% of the Netherlands' GNP) or Swiss giants like Roche (which today is the biggest pharmaceutical company in the US) had also started to spread their wings long before the Second World War. After the war, German, French and Japanese companies joined them in large numbers, with other Europeans following suit.

This development is roughly reflected in the chronological establishment of TNCs in SA, except that for historical reasons the British pipped the Americans. Thus the first wave of corporate foreigners were UK companies arriving at the turn of the century. The accent was on capital equipment for the mines, but some consumer goods manufacturers got in early too. Unilever, for instance, established its first plant in 1911 in Durban, with William Lever showing exceptional vision by buying a parcel of newly-reclaimed waterfront large enough to have accommodated the company's main manufacturing activity to this day.

In the Twenties and early Thirties, most of the US companies now active here, arrived. Exceptions include IBM, which only established itself in the Fifties locally, along with most other data-processing companies — and Mobil, which has been in SA since 1897. More typical was General Motors, which staked its first, and all subsequent plants in Port Elizabeth, in 1926. The company responded geographically to a request (and no doubt advantageous terms) of the SA government which was trying to alleviate the then heavy white unemployment in that area.

In subsequent years a sprinkling of Continental European companies put down roots, especially Dutch firms. But the next big contingent to settle were the Germans — from the mid Fifties onwards — and, to a lesser extent, Swiss Dutch. Italian and Scandinavian companies with the French opting in the main for agency representation. The Japanese also opened
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trading houses, but lately are said to have become more directly involved through third party (mainly US) investments.

Which nationality holds precisely what percentage — and how much in money terms — is virtually impossible to establish. The CTC in New York has been trying hard to get precise information, but has to work with estimates like everybody else. In the absence of available official information, the dichotomy lies in direct investment on the one hand, and fixed assets current assets or market capitalisation, on the other. The most frequently quoted figure for direct foreign investment is R11.5 billion, but this is a 1975 estimate.

Professor Joseph Poolman of RAU gives the following percentage split for direct foreign private sector investment in 1977:
- EEC: 62%
- North & South America: 25%
- Rest of Europe: 8%
- Africa: 2.4%
- Asia: 1.3%
- Oceania: 0.7%
- Other: 0.6%

The CTC's 1979 report on TNC activity in SA states that investment from the UK, the US and the Federal Republic of Germany accounts for over three quarters of the total direct investment in SA, with a percentage split of 56%, 20% and 7%, respectively, based on 1978 estimates. The growth of US and German investments in recent years is likely to be changed. In any case, Germany's 7% probably excludes Siemens, the SA holdings of which are registered in Switzerland.

A 1978 report by the ICFTU (International Confederation of Free Trade Unions) entitled Investment in Apartheid shows the foreign company contingent up by 28% between 1974-78, from 1,623 to 1,863. The CTC report gives a string of increases by nationalities, all based, incidentally, on KPMG reports.

At the 17th sitting of the ILO's 65th session in Geneva last year, the USSR government delegate, Mr Lissow, told fellow delegates that there are 330 British, 494 American, 132 West German and 85 French firms operating in SA.

The investments of Western countries in the SA economy amount to over $2.5 billion. This foreign capital controls 87% of the productive capacity of the private sector in SA, he said. Since this would leave about 3% of productive capacity control for all other domestic companies outside the Anglo American group, this percentage is patent nonsense.

For practical political purposes — like leverage against SA — existing direct investment is in any case quite meaningless. Disinvestment is a non-starter, since it would mean handing SA all these lovely companies on a platter, while the capital investment has in most instances been written off decades ago.

Fixed current assets is a more meaningful yardstick by which to gauge foreign involvement, since in the absence of unduly stringent restrictions on profit remittance — it reflects faith in the SA economy. That figure is likely to be rather higher than Mr Lissow's $2.5 billion, although a number of the biggest European and other TNCs have in recent years expanded by taking in domestic partners, including Siemens, GEC (UK) and Metalbox. (At least one Volkswagen, went the opposite route by acquiring 100% control in 1974.)

From when they set up shop in SA in the early decades of the century until well into the Fifties, most foreign companies fell into the classic TNC mould. Their plants were generally little more than assembly workshops for the parent's products and their manufacturers' well down to middle management studded with expatriates. They had scant or no R&D facilities but operated on high priced technology agreements with the parent and they remitted out all surplus cash. The parent kept tight decision-making control on anything from capex (naturally) to senior staff appointments.

Today the picture is dramatically different. Average local content, including in industries where no such government requirement exists, is around 80%. Expatriates have become very much a management minority and have even declined among chief executives. In the 10 companies researched for this survey, for instance, nine chief executives, including six from 100% TNCs, were South African, with two of the remaining nine expatriates nationals of countries other than the TNC's home base — a New Zealander and an Englishman, respectively, in a British and German company.

Few TNCs remit surplus cash these days, not only to avoid running short of investment funds in case the home country government puts the screws on new investment, but also because parent companies consider SA one of the best investment countries around today. Most big TNCs have extensive R&D facilities today, used mainly for local adaptations, but some producing original developments. To the FM's knowledge, at least one company — Metalbox — has started charging the parent for the local technology that flows back.

Says Jacobs: 'We have to deal quite gently on that, but they are getting reconciled to the fact that other people also come up with new things now and then and the interchange helps to cut down costly duplication in applied research, which is a group objective worldwide.'

Technology agreements themselves, which were once a prime TNC vehicle for siphoning off cash, appear to have come to realistic levels. The MD of one of the smallest companies in the sample — R35m sales last year — indicates the trend may even have gone overboard the other way. Until recently, the company paid R20 000 a year for a package deal of technology, access to a variety of technical services and a commodity intelligence service that is vital in the industry concerned. The price has now been up to R50 000, being phased in over a number of years. 'The intelligence service alone is
worth at least R150 000 to me,” says the MD “For the whole package 0.5% of my turnover would still make business sense”

The extent of local autonomy, however, still varies considerably. On the whole, central control is much tighter among US companies, which also tend to preserve 100% ownership (IBM and Coca Cola quit India rather than allow any local participation.) In some US companies, any capital expenditure or community contribution from R50 000 up, even after it has in principle been signed off in the budget, has to get the formal okay from the head office vice president in charge.

With the Europeans once the budget has been approved, spending it is the local subsidiary’s concern and the limits for budgetary amounts, for which approval has to be sought, are also on average higher than those for US companies. Most of the big German and Dutch TNCs have no formal procedure on extra budgetary expenditure, but operate on feel.

“The top people in the organisation internationally know each other and know intuitively when it is necessary or politic to consult” says Philips’ Jan Timmer, “We know who is and what isn’t elegant in the atmosphere we work in. I would spoil my relationship with people I might need on other occasions if I didn’t consult with them. And if you want to be involved in things then you must not withhold involvement from others.”

Local content of capital goods in non-prescribed industries increased not least because all government agencies give premium points in tenders to local manufacture. With hindsight, this “gentle persuasion” has turned out especially beneficial for the Germans. As Siemens’ chief executive Wilfried Wenigels explained in March, “If we had not pursued local content vigorously, we would be in a real mess now because of the changes in the DM exchange rate. Not so long ago the DM stood at 5.80 to the rand, now it is 2.10 But,” he adds, “by nature our operation is more favourable for local content than others. ITT, STC, GEC have all made tremendous progress. With us, electrical motor manufacturing, high and low tension, is virtually 100% local content. The trend now is to go into heavier manufacturing also. Availability of labour is another incentive for increased local content.

Unilever chairman Alex Bury gives another reason why it is smart to buy local (“provided local industry is not too far out of line price wise”) even in the absence of either government inducements or exchange rate gains. “Keeping in mind the remote possibility of an embargo against SA, we will obviously be on a much better wicket if we rely on local suppliers than a competitor who may import. So it’s an insurance policy too.”

Bury also makes the point that foreign investors are not worried about losing their assets in SA “If they are worried, they worry about losing the potential earnings of those assets in the longer term.” tomorrow’s markets. Which brings us back to the opening quote of General Motors’ Wulking, about shrinking opportunities in industrial countries and the need for ploughing the ground to have a local market and to be acceptable to that market — in 10 and 15 years’ time.

One way big-TNC chief executives try to ensure acceptability is by keeping antennae tuned to the urban black leadership and a few carefully selected rural area (homeland) leaders.

The other, more tangible, way, in the ploughing and sowing sense, is to develop training and development, upgrading and pay, and fringe benefits within their companies, and by involving themselves in the uplift of the community at large. Some do it better than others, as the following close up on practices in a cross section of companies shows.

Metalbox’s Jacobs... dealing gently on charging the parent

A matter of training

Among the 18 companies in the sample, AEG, Cadbury and Fulmen Africa — the three smallest, with about 500, 1 000 and 250 employees respectively — have no or minimal formal training facilities. The biggest, Metalbox, which has 18 plants and just over 9 000 employees, has in-plant training centres in Cape Town, Durban, Rosslyn and Vanderbijlpark, plus an off-the-job one in Port Elizabeth. The FM did not visit any of Metalbox’s centres, but they look well equipped from photographs. BMW, Ford, General Motors and Siemens all have superb in-plant training centres comparable with the best anywhere, with Volkswagen’s almost as good. IBM uses Chamdor extensively, which helped it to make the excellent institution it is today both through direct finance and by seconding a top staffer (principal Joos Lemmer)

Oil companies BP, Caltex, Mobil and Shell, whose employees are scattered all over the country, also make use of outside venues, where employees are brought together for periodic training courses, apart from training centres at the respective refineries. Of the remaining companies, Hoechst’s training set-up was not visited but was described as being in the top league, while those at GEC, Philips and Unilever range from adequate to good, depending on the location.

Before giving samples of their training activities, it must be stressed that one isn’t comparing apples with apples. The difference in turnover between the biggest of the three smallest companies and the smallest, by turnover, of the big companies, was over R100m. In the labour intensive industries, among the biggest the turnover range was from R160m to R400m, with a (not corresponding) staff
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...to just over 9,000 Hoechst with a staff of about 1,600 and a turnover in excess of R400m, is in a class by itself. So is IBM, because its minimum entry qualification is matric and it has the highest proportion of whites and a high proportion of blacks are graduates. Then there are the oil companies most capital intensive of all in the sample and also best equipped financially to pursue corporate excellence.

The motor industry has been in the doldrums from 1975 until late in 1979, with the exception of Volkswagen which began to move ahead of the others with the introduction of the Golf and ended up with a record sales year.

Siemens reported its best results ever for 1979 and still couldn't have done that badly either. Except for Unilever, all the others said they had just emerged from several years running at spare capacity.

These differences are to some extent reflected in the quality and intensity of training programmes and in the calibre and size of their respective Industrial Relations/Personnel departments. Although one has to qualify that immediately in that the two companies worst hit by the past recession, Ford and General Motors, have IR directorates comparable with the best in the country and both have probably done more formal shopfloor training than any other companies their size, despite multi-million rand losses.

All IR personnel directors and training managers highlighted the dearth of trainable material. This is usually discounted by labour observers, and certainly by blacks, as an excuse to keep blacks out — a rather verkrampt and totally unproductive attitude under the circumstances. Qualitatively defective education is, at present, the biggest stumbling block to black advancement. A 'black' and a 'white' matric are not the same. Nor is a black graduate from a black university, on average, comparable to a white or non-white graduate. In this case not because of an inferior degree but because of cultural differences which have been reinforced at university.

Moreover the vast majority of incumbent black workers consists of people with education levels of Std 6 at best, the broad mass at Std 4 and below.

So what one is looking for is the spirit — and the measures — with which these handicaps are tackled. If a personnel manager professes that all jobs are open to everybody and promotion is strictly on merit, but no blacks have penetrated into the higher wage and, at least, lower salary grades, there can be only two reasons: either lip service only is paid to training and upgrading or training has started too recently to have produced results.

By that yardstick, all companies in the sample take their training seriously, since all have blacks in positions of responsibility on the shopfloor, and at least a sprin-
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kling in the offices. But several of the companies have started systematic training and upgrading during the last two years only, at least one of the big companies still has no development programme for salaried grades and the majority introduced targets into their training programmes only last year.

Those who really mean business have started “booster” – or special – courses to help black employees over their educational gaps. These range from adult education in company time or after hours, through pre-technician courses for matriculants and extra tuition for apprentices, to intensive classroom instruction periods of three to four weeks to accelerate a black trainee’s normal training. One company has taken a group of blacks into full-time foreman’s training off the job.

In addition, all companies offer financial assistance to any employee willing to improve himself through study, be it literacy or post-graduate studies. But the extent to which this benefit is publicised within the companies seems to vary.

The attitude of one chairman was revealing in this regard. He said: “I will help anybody who wants to help himself, gladly. But I’ll be damned if I will take a black by the hand and push him into learning. I don’t do that with whites either.” On the other hand – this is an area fraught with so many potential pitfalls one has to qualify almost every statement – managers who complain that our blacks aren’t interested in improving themselves may have a point too. In several companies, workers told the FM they were not interested in swotting for higher educational qualifications unless they were guaranteed a higher grade job before they started.

Fred Sauls, Secretary of the National Union of Motor Assembly and Rubber Workers, says all training must be on that basis. “The guys aren’t interested in embarking on three years’ training and then finding there are no positions. We aren’t interested in training for training’s sake.”

From now on, it should be fairly easy to give such guarantees. Until the end of last year, most companies either had to lay off workers or work short. Guaranteeing jobs was obviously not on.

In all the companies with in-plant training centres all courses – except the special boosters for blacks – are mixed. At General Motors, Ford, Metalbox, Volkswagen, Shell (refinery), Mobi, Philips, BMW and Siemens this includes African apprentices, who, in these companies, have been trained for several years along with the other races. Their theoretical training was provided in-house by special tutors, partly through the co-operation of the Department of Training and Development. At the time of our plant visits in February and March, only Siemens had its apprentices indentured. The
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"When one talks about the quality of wages," says Ford’s director of industrial relations Fred Ferreira, "one has to bear a couple of things in mind. Firstly, there’s a predominance of whites in the higher-paid skilled positions, for historical reasons, and that can’t be changed overnight. Secondly, the coloured and Indian people are predominantly in the middle ranks, because they started to move up before the blacks and they continue, on average, to move up faster. So when you look at the average hourly wage within a particular grade, you find the whites are getting more than the coloureds and the coloureds more than the blacks — but only within a few cents (per hour).

"However, when you look at the average for all whites, it will be considerably higher than that of the other groups," Ferreira, and every other personnel executive interviewed, was at pains to stress that this did not mean the company practised pay discrimination "as outsiders and our labour itself always seem to assume."

What then about the historical backlog from the bottom end up?

In Ford, the announcement of equal pay goes back to 1971. "In salaried grades we never did discriminate, either by race or sex, so there was no problem there. In the wage grades we eliminated the backlog within a couple of years — mechanically, by freezing the top end of each labour grade and lifting the bottom."

With variations on the "two or three years" theme, this holds true for all the TNC’s interviewed. But the interpretation of what constitutes a backlog and what is justified as a lower-wage varies, regarding the extent to which grades are integrated, whether black trade unions are included among the negotiating partners (as they are in the Eastern Cape motor industry) and the skills content, even in the lower grades (as in, notably, the oil industry).

Already in the early Seventies, the TNC motor companies applied to gov-
ernment to make Industrial Council agreements apply to "parties and non-parties" — at that stage all agreements officially concerned "employees" only, a definition that has only included blacks since last October.

In all but three of the 18 companies researched, the rock-bottom black minimum wage is now above R200. In 12 of them that includes their own cleaners. In two of the oil companies, average wages in some of the lower grades are higher for blacks than for whites, and several companies have lower rock-bottom entry salaries (not wages) for whites than black minimum wages. But the white school-leavers to whom this applies only stay for some three months at that level.

Whites who start at the same level as Africans — but not necessarily coloureds and Indians — still move two to three times faster up the scale, and this is likely to remain so for some time, even in companies with vigorous booster programmes. Except at the specialist level, black graduates with an aptitude for business can write their own ticket today, and if they skillfully exploit the poaching game can improve their incomes by about R2 000 a year regularly. Incumbent black executives in the companies investigated are earning from R16 000 to R28 000 a year and most of them are nowhere near the very top grades.

Black wage earners certainly don't believe they are getting equal pay. At least not a single one interviewed by the PAM did. This has prompted companies in the labour intensive industries to think hard about introducing the US system of a straight rate for the job, at least for some grades. These rates can then be advertised and otherwise publicised on the notice boards. Metalbox already publishes its wage structure on the boards, although it has small ranges at the bottom end of the scale and slightly wider ones at the top to accommodate different geographical regions.

We find it acts as an incentive to motivation," says group personnel consultant Nico van der Walt. "Everybody can see what they should get and how near they are to the top of the grade." And it encourages people to complain if they feel they are doing a job that's not in the right category. "In a large company it can happen, and we would rather people raise their objections than get bitter and poison the atmosphere." Metalbox involved employee representatives in the grading procedure when it re-evaluated its jobs last year.

All the companies either already offer, or are about to offer, equal fringe benefits for all. In some this goes back to the mid-sixties, although the majority only got there this year. Some have difficulty in getting blacks in the wage grades to join the medical aid scheme, so they either make the scheme voluntary for all blacks or compulsory only for salary earners. An exception is Siemens, which introduced a non-contributory scheme.

Caltex plugged its last unequal hole in fringe benefits 18 months ago, with group life insurance for blacks. "We put it to the vote and got over 90% voluntary participation, and because of the high participation, we got an even lower rate than we had already negotiated and everybody was thrilled," says MD Denis Fletcher.

For Metalbox, the last benefit to be equalised will be the pension fund. Thus will give the option of different categories of fund. For instance, people over 49 and married women may in future opt for lower benefit categories. So may blacks. The company will match contributions evenly throughout.
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Most companies, including the three small ones, subsidise canteens heavily BUT Shell has stopped the practice of free meals for blacks "If we pay decent salaries then we must get away from the subsidisation mentality and people must spend their money as they see fit," explains Personnel Director Ken McKenzie. When free meals were abolished, blacks had their pay packets increased by the amount saved. Except for the small companies, all offer housing assistance, either through loans at subsidised interest rates, by advancing deposits, or by standing collateral. They also offer loans for home improvements. Although companies would not admit it, the extent to which use is made of such assistance seems to be in direct relation to the enthusiasm with which it is publicised. Big interest-free housing loans are, incidentally, becoming a factor now in the poaching of black executives.

Shell's McKenzie ... no advancement without affirmative action

of this facility. It may have something to do with the distances blacks travel to and from work, lack of electricity in some areas, and with their not having confidence that extra learning will in the end yield anything. Comments personnel officer Menasse Matau of Philips: "I am doing an education audit at the moment to see whom we can advance and who needs extra education. And when I analyse the educational levels of some people I agree that they would only frustrate themselves too much in trying to upgrade themselves. But they might still complain to somebody else about lack of opportunities."

The usual way of measuring black advancement is by checking companies' senior wage and salary grades for the number of black incumbents. Then, finding only a sprinkling of blacks at the more senior levels and, more likely than not, none in the very top salary grades, most observers tend to dismiss any advances as merely cosmetic or at best half-hearted.

That's the wrong way to go about it, says Wells Ntuli, labour consultant to the giant Anglo Vaal group, because "progress is a relative thing and I believe it is dangerous in a changing environment to take a snapshot of a given situation."

One should see it as a moving picture, says Ntuli, of which one can say "It started here, now it's there, and this is what happened in between," as opposed to "It's horrible, just look at it."

He says about black advancement: "If you look at the moving picture, a lot of progress has been made."

Looking at the moving picture, it was a rare company which had any blacks at all five years ago above the middle range of wage grades and the bottom two or three salary grades. Since then, there has been a steady upward movement. Over the next three years, that movement is likely to accelerate substantially.

Take Caltex, it has one grading system, from one to 10. The seven to nine range consists of engineers, depot superintendents, sales reps, accountants, artisans and technicians. Five years ago there were no blacks from seven up. Today, there are 52 in grade seven, 16 in grade eight and four in grade nine. The target for 1983 with blacks now in development programmes to reach it, is to have a total of 213 blacks in these grades and four in grade 10 - the first senior management grade.

Or take Philips like many other big companies, it has recently re-evaluated all jobs and introduced a new grading scale as a prerequisite for an integrated pay curve. Traditionally, the equivalent of the present grades eight to 10 were those in which the majority of whites found their ceiling during their working life - if indeed they got there.

Three years ago, these grades were all white. Today, 17 blacks have made it into eight to 11 (the top grade being 15), including a marketing manager, personnel officer, internal auditor and several (Indian) engineers. During the same timespan, the proportion of blacks working in integrated grades increased from 25% to 47%.

BP's grades from 13 to one and already had five Africans and nine coloureds and Asians in the seven to nine supervisory grade in 1975. By 1980, their ranks had increased to 14 Africans and 36 coloureds and Asians, while three Africans and one coloured had made it into the 14+ first level of management proper. Altogether 294 jobs previously held by whites have been taken over by blacks.

Since Unilever's manufacturing techniques are labour intensive, 53% of the total black work force is still in unskilled occupation. But in the past five years the unskilled African group went down by 20.3%, that of the semi-skilled increased by 32.4% and the African skilled and supervisory contingent is up by 61.8%. Africans in senior supervisory and specialist positions nearly doubled to 74, in management they doubled to 18 incumbents.

Moreover, Unilever has a system of twice-yearly salary reviews for those at or near the minimum in a grade, to ensure people don't get stuck at the bottom. Volkswagen used to have a skilled to unskilled wage ratio of 4.6:1 in 1972. At present it is 2.8:1, with the objective of 2.5:1 by June 1981. "When we hit that target, I reckon we will have closed the wage gap says personnel executive Olle Radermeyer.

VW already has 100 Africans and 161 coloureds in the top four wage grades and 53 blacks in salaried positions. Two years ago it had only 10 blacks in office jobs and the spread is getting better, too. But, says Radermeyer, "the largest number of non-whites is in the factory area and through their eyes and ours this is the area where we have to increase the advancement opportunities. They must see there are more foremen and supervisors."

To accelerate the pace of development, seven blacks are trained as foremen in double quick time (one year) off the job.

IBM has only 180 blacks (out of 1 450 employees), but this relatively small group probably comprises the most highly qualified black professionals in the country. Therefore, that this contingent went up from 69 in 1972 is in itself significant.
More significant is their advance up the organisation chart

IBM has a scale from A to P+. In 1972, the proportion of all blacks in the lowest grade was 43%, today it is 3%. Then it was only 8% who made it into grades D-O, which include programmers, systems engineers, personnel officers and other professionals. Today 45% are in these grades, always keeping in mind that the number of blacks has itself risen by 156%.

IBM was one of the few companies which, already in 1972, had blacks in the first level of professional and managerial grades (P+) — 5% then, 7% in 1980.

Still, "most people are looking at the P+ and say this is not good enough," says personnel manager Roly Clark. "But these are very high-level jobs and to expect a faster growth is simply not realistic. We would be getting down to window dressing." To give an idea in the case of a systems engineer, the standard procedure with whites is to take in a graduate with five to six years' business experience as a trainee and promote him after 18 months into the first qualified level, which is D.

Says Clark: "One can speed this up, but there is a limit!"

This point was made over and over again, although different companies find different solutions. "To get into senior management normally takes from 15 to 25 years in the oil industry," says Mobil relations director Berwick Nicol.

However, we are already experiencing shortages of skilled manpower and will find this increasingly in the near future.

So we had to create special organisational ladders for blacks to move up faster. Mobil has 35 black supervisors now, will have 50 by the end of the year and hopefully 100 by the end of 1981. These are part of a target group set three years ago, creating a new category of management trainees with 40 blacks (predominantly Africans) pulled in from outside.

"We identified the positions, matched people to them, then trained the training and development needs of these people to fill those jobs. Training is very important," says employee relations manager Dene Le Roux. On the marketing side, whites would normally come in as skilled depot supervisors/managers or salesmen/district sales managers, and move up accordingly. These (white) skills could be bought in — the new management trainee category is going to fill the gap for blacks.

On the refinery side, blacks' upward movement from entry level to process operator (a highly skilled job in the oil industry) is already similar to that of whites, since the first black operators were hired already in 1970.

But these were coloureds and Indians and Mobil, like its competitors Caltex, BP and Shell — who all put the first blacks into skilled jobs in 1970-72 — are now trying to speed up the progress of Africans, who only got in from 1978 onwards. All four took great care in fostering job security among their white employees by assuring them that no white who helps develop a black will lose his job or suffer in any other way.

"The thing I want to make absolutely clear is that, while to upgrade our black employees is certainly one of our most important strategies, I cannot do anything which costs me any of our white labour," says Caltex MD Denis Fletcher. "Because there is no way I can run a refinery and certain other critical divisions at this stage without the skills of the white people."

Perceptions about the pace of black advancement naturally differ between blacks and whites. Shell commissioned the Centre for Intergroup Studies early last year to assess employee opinions on a range of subjects. It emerged strongly that many blacks are sceptical about line
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managers' commitment to black advancement white whites feel there is discrimination in reverse and the company is doing too much too quickly for blacks. Both perceptions are probably right.

Explains Ken McKenzie, Shell's director, personnel, services and public affairs: 'In the initial stages, for every black man you want to promote you can probably find half a dozen better qualified whites. So what you have to say to yourself — if you mean business with the upgrading of blacks — is the only way to make this effective is to have an affirmative action programme. But it is difficult to handle that without causing resentment in whites, because it is the white middle manager who has to bear the brunt of the development task. At the same time, blacks see whites moving ahead faster.'

Shell grades from 14 to one, with grade 14 the lowest level of middle management and supervisory levels starting at grade seven. At the beginning of this year, it had three Africans and three coloureds in grade 4, and one coloured training for promotion into grade three.

The company had a total of 32 blacks in grade seven and above in 1977, then set itself the target for another 50 by 1981, for whom specific jobs were identified. At present, there are 68 incumbents, slightly ahead of target. But Shell found it necessary to form a special development committee last year, which ensures, inter alias, that line managers consider black management development their responsibility, just as they are responsible in the case of whites. 'Until then, line managers seemed to think they were doing us in personal favours,' says McKenzie.

Where advancement counts most in black perception is on the shop floor. There the TNCs in the motor industry, which pay the highest minimum and average wages within South Africa's manufacturing industries have made the biggest contribution, often to the detriment, as the Volkswagen example shows, of the white-collar area.

At General Motors, 21% of coloured and 9% of African employees held semi-skilled jobs in 1972. By 1979, the respective proportions had increased to 47% and 23%.

The company graded wage levels from one to 12 with 1 being the artisan level and 12 technicians, while 10 is abridgeg grade. There were neither coloureds nor Africans above grade nine in 1972. Today, there are 78 coloureds and 9 Africans in grade 10, 34 coloureds and three Africans in grade 11 and one coloured in grade 12.

Since May 1978, GM also promoted 670 blacks into the semi-skilled grades. 'We move people out of the bottom grades as fast as we are able,' says Rod Ironside, director of personnel.

Ironside and MD Lou Waddingo are contemptuous of employers who hide behind the lack of technical government facilit-
ties, trade unionists and laws as an excuse for not developing blacks. "The latest is people saying there are no aptitude tests for blacks. When I served my apprenticeship in 1940, there were no aptitude tests either. Somebody decided I was mechanically inclined and they made me an engineer out of me. We took the same approach here and found the aptitudes we wanted.

Until recently there was no technical facility in the Port Elizabeth area, where Africans could acquire theoretical technical training. GM, Ford and Volkswagen took the view they would provide such training in house if necessary (which they did) but that they also had a vested interest in providing a facility.

Ford was the initiator, the three companies also got Firestone and Nalco involved, raised R6m and built the New Brighton Technical Institute. It opened its doors in January. The Department of Education and Training, which staffs and runs it now, became so enthusiastic it is now planning 14 more such institutions in the country - another TNC ripple effect.

Coloured and black trade unionists described Ford to Institute of Race Relations researchers last August as probably the best employer in the Port Elizabeth-Uitenhage area. Since then, the IRR report which Ford itself commissioned has slammed the company for anything from pay policy to advancement opportunities and the handling of its social responsibility budget. Ford also suffered the series of strikes that have become part of SA management vocabulary as the "Ford watershed" because they had little to do with labour affairs.

Ford has fewer blacks than GM in top hourly grades - 29 coloureds in 11 and 12 - but 15% of its supervisory positions are held by blacks and it had 225 Africans and coloureds in high-skills full-time training by March 1980. It also held on to as many people as possible during the critical years from 1975 - opting in 1979 for working short rather than laying off. A joint decision with the unions while GM decreased its hourly paid component by 44.4% in the four-year period.

In terms of advancement into supervisory positions, BMW at Rosslyn is ahead of all its competitors. By the end of 1980, more than 50% of first-line supervision will be black. It already has 18 black assistant foremen (whose average wages rose from R260 to R360 on appointment) and at the beginning of 1980 more than half of its white quality control inspectors had been replaced by blacks.

Siemens has long been acknowledged by its peers in the industry at large - dozens of them have been making on-site inspections during the past year - as a leader in the upgrading of blacks and integration on the shop floor. At the end of 1979, blacks...
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Metal & Chemical Industries (Pty) Ltd
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made up 52% of the semi-skilled, skilled and apprentice categories, 10% of non-managerial salary earners and the first black had been appointed into management.

Compared with numbers in, say, the oil industry, this does not sound terribly impressive. What is impressive at Siemens is what looks like completely natural mixing on the shop floor and acceptance of black supervision, the result of careful nurturing of attitudes over a period of years.

There were more whites on the shop floor — and white women at that — in GEC Machines than in any other plant visited. The women do a lot of the heavy and more skilled work, including crane driving, while some strapping black men are occupied with the less skilled, but lighter, jobs.

The reason, of course, that the more skilled work carries higher rates is that we have a totally integrated work force up to just below artisan level,” says chairman Tony Charles. “But in the heavy engineering field you are working with a different set of people from electronics, oil, or even the motor industry, and we have to go slow with advancement beyond that.”

Metallux, which employs almost twice as many people as the next biggest company in the sample researched, should see an upsurge in black advancement over the next three years. At least this is what’s planned now, with a whole battery of senior positions identified and training put in motion to fill them. “We are very conscious of the fact that blacks don’t yet believe the really senior jobs are open to them and that’s probably demotivating.”

Therefore, the sooner we get a black into a very senior position, the better,” says MD Derek Jacobs, “because there’s no doubt that an actual example will demonstrate our good intentions far better than just talking about it.”

At AEG-Telefunken, one manufacturing unit is completely black-run, except for a white quality controller who reports to a black manager. “He is our first and it works well,” says MD Peter Huetz, adding: “We make sure that the people we upgrade are able to faithfully to their jobs. For every recently upgraded man, a number of people are responsible to give support and apply subtle controls. If you make an appointment which breaks with tradition, you have to make doubly sure that it is a success.”

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A chasm in communications

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Industrial relations
How is one going to overcome this feeling of distrust? We do not go around victimising people. So, stopping to victimise people is obviously not the answer — Alex Bury, chairman, Unilever

If you are black you know in your bones that you mustn’t stick your neck out. Because if you stick your neck out, somebody is likely to chop it off — black worker at Unilever

And, similarly, black workers at GEC, Volkswagen, Cadbury and Philips.

The calibre of the top employee relations men in the major TNCs visited was impressive. They are a new breed of personnel executive, that only came into its own in the Seventies, lightyears away in stature from the traditional backroom boy personnel manager of old. Outstanding, even among this elite, were Ford’s Ferreira, GM’s Ironside, Johan Trotskje of Siemens, VW’s Rademeyer and McKenzie of Shell.

The new top personnel men work closely with their chief executives, are members of top management themselves, come mostly from senior line management and are imbued with a zest for making a contribution to positive change, not only in their companies, but in the country at large. It is perhaps no coincidence that the majority of them, as well as the IR and personnel managers under them, are Afrikaners.

After discussions with them — and with chief executives like Shell’s Ken Geeling, Philips’ Timmer, Metalbox’s Jacobs, Westinghouse’s Siemens and Hoechst’s Arno Baltzer — one came away feeling that labour affairs are well taken care of. Especially since they reinforced their philosophies with documentary proof such as manpower development programmes, pay scales, structures of in-house communication channels, and so on. That relations might not be quite as harmonious as it seemed, only came through in their invariable reference, at some stage, to the Ford report, usually with the rider: if it can happen to them.

There were also many heartening signs of good inter-racial and management-labour cooperation in the plants visited. Easily the most heartening sight was training centre workshops full of black, white and brown boys learning new skills together — the first generation that will take such togetherness for granted. And canteens (not many) where people of all skin shades sat together as if they had done so all their lives.

At Unilever’s Maydon Wharf complex, it was obvious from the friendly banter that general works manager Dan Sterling enjoys good rapport with the workers. At Ford, where, at the time, workers had just returned to their jobs after strikes protracted over several months, the atmosphere was palpably wary. Yet IR manager Durk Peterse got some smiles and greetings of an almost conspiratorial manner.

Men of very different management styles — such as quick-tempered Pierre Fouche of Philips’ Martindale plant, autocratic Tony Ewer of Fulmen, fatherly Robin Bollen-Smith at GEC Machines, or the more aloof Germans, like Huetz of AEG and Udo Pelzer at the Watlopo plant of Siemens — were all able to demonstrate they are not ivory-tower managers, but know their workers well. Or so it seemed.

It was when listening to the workers in their, and other TNC plants, that any cosy notions about satisfied labour were quickly dissipated. Virtually without exception, black workers condemned working conditions relating to training advancement opportunities and pay, but on closer questioning did not know what these conditions were or how to avail themselves of any opportunities going.

They were convinced of victimisation and discrimination “even if we can’t prove it” and, when prodded, would throw their hands up and explain why blacks shouldn’t stick their necks out. They knew that nobody’s neck had been chopped off, that was not true. Not at this plant, the FM was always told — but everybody said they knew of somebody somewhere.

In Durban and Johannesburg some workers mentioned Thozanile Botha, the Pebco leader, about whom the strikes at Ford revolved and who was subsequently banned by the government.

In most companies, workers had little or no idea of the function or functioning of their unions, including — in two plants — trade union representatives themselves.

Nor were they aware of what company policy was towards unions and union membership. Yet policy statements to that effect were hanging on the notice boards for all to see.

All worker representatives interviewed had some training in company policy, labour legislation, workers’ rights and negotiating techniques. Yet, with some notable exceptions, most appeared ill equipped, in some instances woefully so, to represent anybody in a negotiation.

In one plant, worker representatives insisted that management “never ever” takes note of any suggestions the committee makes for changes in working conditions, and that this was proven by their refusal to come to the meeting.

Some companies had made some progress in the last few months. For example, at one of the companies visited, there had been some initial reluctance to have the meetings, but now the management had set aside a day and time, and deciding that the meetings would continue.

Examples like this abound in other companies. Wherever workers met with a case of an individual they thought may have been victimised by his or her superior, or almost always by not getting promoted, it was between two and four years old. The workers applied to situations where a white got a job the workers thought a black should have been appointed. Their bitterness was real and strong.

None of these grievances had ever been brought up in a committee, either because the person didn’t want us to raise it, or because we are not allowed to discuss individual cases. But all constitutions explicitly state that the principles involved in individual cases can be raised. Maybe it was omitted to explain what that means. In most committee sessions issues revolve around things like air conditioning, the quality of food or the cleanliness of toilets. Said an IR manager: “At a recent meeting, a representative demanded to see and discuss the training schedule worked out for one of the people in his department. I was so pleased I could have hugged him. Maybe from now on we’ll be

Shell’s Geeling, companies must be part of the transformation.
A seasoned coloured trade unionist explained in a little more detail why workers are reluctant to speak out: "We've been kept down all our lives, we aren't used to speaking up for our rights. We have been conditioned to think what's the use, nothing will be done, we will get nowhere. It's going to be hard to make people unlearn this feeling. It can be overcome in the factory context, we see it happening. But it is going to be a slow process. To expect the non-white to just get up and speak for his rights, when we never had that opportunity, is a bit unfair."

There were exceptions, like the union representatives on the VW multi-racial factory committee. They have all been exposed to the Betreiberat (works council) system at the parent plant and are certainly not shy about speaking out. They want to get into participation in management decisions on capital and other expenditures and on promotion, and they want profit sharing.

However, the fact that here, too, workers are at a very early stage of knowing what is and what is not feasible, was revealed when they asked management when they would get their share of the announced first phase R50m expansion programme in their pay packets. VW arranged a session with a finance expert from VW Germany for the committee last year. He explained the formation of company funds and how they are allocated. "Yeah," said a black trade union representative to the FM. "They told us how they spend their money, not what they put into their pockets. We want to know the net profit, what goes into their own pockets, so we can know how to put our wage demands."

From this, and discussions with other workers who, for instance, dismissed the value of low-cost housing loans as "no assistance at all, whom are they kidding? We have to pay it back," it was obvious that the notion of money costing money is still foreign to black workers.

When workers said "they" it wasn't always immediately clear whom they were referring to, since they usually specifically excluded "management" or "the IR people." More often than not it turned out they meant their immediate supervisors. One of the workers put it succinctly: "When you go to talk with management, you come back feeling as though you achieved something. Then you talk to those guys on the shopfloor and everything breaks down, they understand nothing."

BNW MD Dr Eberhard von Koerber, whose 1,500-strong plant at Roslyn has probably the most sophisticated multi-racial employee council in the country, notes that black employee representatives can out-talk white shopfloor labour, including supervisors, in any discussion on labour affairs. "The whites just don't know what hits them," he says. In most of the company's IR training for white first-line supervision has been recently introduced or intensified.

In none of the companies, except Ford, was top management aware just how angry and dissatisfied black workers are. Though most IR managers said they suspected it, but were rarely able to get personal proof. ("Are we getting the wrong signals?" asked then-Shell-BP Retinew chairman Louis Walker in March 1973, when workers at a Durban plant walked out within hours of the black personnel officer assuring management there was no real dissatisfaction among workers.) It was precisely this feeling within the Ford IR directorate that prompted the company's commissioning of the survey by the Institute of Race Relations.

The researchers' conclusions on how Ford should have reacted in a situation where the alternative to working short was laying off some 1,000 blacks, revealed their limited knowledge of the economies of business and the necessary structure of management. However, they did forcibly home in on workers' real feelings, highlighting the worst problem areas and revealing at least one genuine discriminatory practice Ford's requirement, since abolished, that blacks have a Std 8 education to qualify for a certain higher grade, while white incumbents had lesser educational qualifications.

Most of the companies in the FM's sample have a reputation of being progressive employers and, on inspection, most of them confirmed that reputation. So if the vibrations among wage earners are thus bad in "good" companies, one shudders to think what they are like in less progressive ones. Unless this is a demonstration of what social scientists call "relative deprivation", the principle that raised or rising expectations (in this case because of above average working conditions) stimulate subjective deprivation to a critical level.

Clearly, workers are bringing their frustrations and dissatisfaction with the political system into the shopfloor environment and management will increasingly have to bear the brunt of it, no matter how much they may improve the working conditions. Just as clearly, either new channels of communication will have to be found or the established ones must be infinitely broadened if any improvement is to come about.

Education and training — much more training in negotiation procedures, company policies and trade unionism are critical factors. As long as companies continue to rely mainly on workers' representatives to filter their policies down to the shopfloor, they are inviting further misunderstanding, distrust and anger.

This realisation had, in fact, dawned on most of the big TNC's visited. Metalbox was the one furthest on the way to changing its whole policy communication system to put the responsibility back on line supervision. "But it will take time," says Jacobs. "You can't saturate people with such training — doing industrial relations one day, followed immediately by interaction management and team building next. Somebody also has to look after the shop.
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Lonrho takes over Zambian mine

From The Guardian

LONDON — The ownership of the Nyasachere copper mine in Zambia, subject of detailed criticism in the Department of Trade investigation into Lonrho, has finally been resolved.

Lonrho has taken complete control of the mine by paying R750,000 for the 50 percent currently owned by Borna Holdings, a company which is ultimately 70 percent owned by the group's chief executive, Mr "Tiny" Rowland.

A further 20 percent of Borna is thought to be owned by another Lonrho director, Mr Alan Ball, while the balance is held by a former director, Mr Eoin Angus O'Callaghan.

Mr Rowland is believed to have initially acquired his interest in Nyasachere in 1958 for £1,000. The Department of Trade inspectors also criticised the fact that the development costs of the profitable mine appeared to have been funded entirely by Lonrho, with no contribution having been made by the other shareholders.

The price to be paid by Lonrho for the outstanding interest in the mine has been determined by an independent firm of accountants, Pent Marwick Mitchell, and the theoretical purchase was approved by shareholders at the last annual meeting.

Mr Rowland, in the meantime, has increased his overall interest in Lonrho to just over 17 percent of the equity by purchasing the 2.7m shares not taken up in the recent rights issue at 81p.
Accounting move by multinationals

NEW YORK. — An unprecedented transatlantic initiative has been launched to standardize the method of translating foreign currency operations in the accounts of multinational companies. Within a year, it could bring similar accounting rules for currency translations in financial statements in the US, the UK and Canada.

The proposed accounting method, known as the net investment approach, is already practised by Unilever, the Anglo-Dutch multinational.

The initiative involves, for all foreign currency items in financial statements, the use of exchange rates current at the time the accounts are prepared instead of historic rates relating to the time the transactions took place.

The method implies that a holding company would view its foreign subsidiaries as separate, semi-independent entities. Accordingly, it would account for the subsidiaries' net assets in the group accounts instead of for each asset and liability item separately.

The result is that all differences on converting the net assets into domestic currency would bypass the profit-and-loss account and be taken direct to the balance sheet. Only differences relating to trading transactions during the year and to foreign currency borrowings by the holding company would affect annual earnings.

The initiative involves the US Financial Accounting Standards Board, which has launched a draft accounting standard on currency translation, as well as the Accounting Standards Committee of the Canadian Institute of Chartered Accountants.

The UK ASC plans to publish its own proposals within the next month which will be similar to those published in the US. If these three countries agree, the proposals would be likely to be adopted increasingly throughout Europe.

The FASB proposals are largely the result of a year of negotiation and discussion with the ASC and the Canadian accounting profession - the first time accounting rulemaking bodies have co-operated on such an important issue.

The proposed US standard amounts to a major revision of the existing foreign currency accounting rules in statement FAS 9, which applies to US quoted companies raising money in the US. — Financial Times
THE Organisation of African Unity claims unnamed multinational corporations are helping oppress the black majority in South Africa.

"The martyrdom of the black South Africans is the result of the sinister strategy of the multinational corporations which co-operate with the racist regime," the OAU in Addis Ababa said in a statement to mark Africa Martyrs Day.

The statement said 18 million blacks were being deprived of their fundamental rights by the minority whites of South Africa.

The OAU said Pretoria's new strategy to create a constellation of Southern African states, dependent on South Africa, represented an attempt to undermine African unity and cause confusion — A.F.P.
SALISBURY — The central African Power Corporation made a profit of ZD5.5 million in Zimbabwe for the year ended June 30, an increase of ZD3.1 million over the previous year. — Sapa.
THERE were a total of 373,225 African men who worked on farms in South Africa in 1970. Of these, 217,071 were females, and 156,154 were males. The majority of these workers were employed in agriculture. The table below shows the distribution of African workers by sex and occupation:

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>156,154</td>
<td>217,071</td>
<td>373,225</td>
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<tr>
<td>Manufacturing</td>
<td>12,400</td>
<td>13,675</td>
<td>26,075</td>
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<td>Construction</td>
<td>1,500</td>
<td>3,000</td>
<td>4,500</td>
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<tr>
<td>Mining</td>
<td>500</td>
<td>1,000</td>
<td>1,500</td>
</tr>
<tr>
<td>Total</td>
<td>175,654</td>
<td>233,746</td>
<td>409,400</td>
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</tbody>
</table>

The table shows that the majority of African workers were employed in agriculture. This highlights the need for reform in the labor market to provide more opportunities for African workers in other sectors.
for labour, the Saccoa code, and this comes fairly close to the provisions laid down in Sullivan's code.

It is thought Mr Sullivan's European conference could lead to a combining of his principles with those laid down by the European Common Market. This code is in theory mandatory but monitoring has been haphazard and company's performances are not published.

Mr Sullivan said he hoped that this would be the beginning of a broader and more worldwide effort to work against discrimination in the workplace in South Africa. Similar meetings could follow.

Neither the EEC nor Sullivan codes are enforceable, although both Mr Sullivan and the EEC countries have spoken of applying all possible pressure on companies not voluntarily embracing the codified principles.

Under the provisions of Mr Sullivan's code, each signatory is committed to:

- Non-segregation
- Eatin no, comfort and work facilities
- Equal and fair employment practices for all
- Equal pay for all employees doing equal or comparable work for the same period of time.
- Training for blacks and other non-whites in management and supervising
- Increasing the number of blacks and non-whites in management
- Improving housing, transportation, schooling, recreation and health

See Tribune Finance
SULLIVAN PUTS ON THE SQUEEZE

THE pressure on foreign-owned companies in South Africa to improve their employment practices is quietly being stepped up.

One of the main forces behind the new pressure is the Rev. Leon Sullivan, the US civil rights campaigner and architect of the so-called Sullivan principles, which have been signed by 140 American companies with interests south of the Limpopo. Sullivan visited South Africa two months ago.

He met twenty multinationals in London last month to review the implementation of the principles and to examine ways of improving them.

Interestingly, not all the companies were American, French and British firms and at least one leading South African group was also represented.

The presence of EEC-based companies at the meeting has prompted speculation that efforts are being made to combine the Sullivan principles and the code of conduct drawn up by EEC countries into one code.

Unlike the Sullivan principles, the EEC code is in theory mandatory, but monitoring has been haphazard and, in individual company performance is generally not published.

According to a London-based international newsletter from multinational executives, Sullivan envisages more stringent measures against American companies which continue to refuse to sign the principles.

Earlier this year he asked Congress to apply punitive sanctions such as the withdrawal of US federal contracts and the withholding of US dollars from the recalcitrants.

In a covering letter with the questionnaires sent to shareholders earlier this year, Sullivan warned of steps he intended taking to step up the requirements of the principles.

As formulated at present these principles call for employers to pay wages "well above the minimum living level". But from next year, Sullivan expects to amend this provision to specify a stated percentage, say 30 per cent, above the minimum living level.

Sullivan also urges companies to contribute to the National African Chamber of Commerce (NACEO) by becoming associate members. In this way, they can assist in the development of black business.

There are approximately 355 companies in South Africa which have a substantial number of American shareholders. The largest in terms of numbers of employees is Fronkor, the construction and engineering group, which is the main contractor for South Africa's nuclear programme. It is followed by Kromhout, a subsidiary of Newmont Mining (5,000) and Ford (17,000).

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<table>
<thead>
<tr>
<th>YEAR</th>
<th>MEN</th>
<th>WOMEN</th>
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<tr>
<td>1965</td>
<td>1,556</td>
<td>232</td>
</tr>
<tr>
<td>1966</td>
<td>1,575</td>
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</tr>
<tr>
<td>1967</td>
<td>1,575</td>
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**TABLE 4 (continued)**
<table>
<thead>
<tr>
<th>Department</th>
<th>1976 Prices</th>
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<td>Other</td>
<td>1,555,530</td>
<td>1,635,225</td>
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<tr>
<td>Transport, equip.</td>
<td>319,248</td>
<td>319,248</td>
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<tr>
<td>Machinery</td>
<td>739,266</td>
<td>739,266</td>
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<tr>
<td>Primary &amp; facet. materials</td>
<td>2,166,756</td>
<td>2,166,756</td>
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<tr>
<td>Chemicals</td>
<td>939,378</td>
<td>939,378</td>
</tr>
<tr>
<td>Other</td>
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<td>484,507</td>
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<tr>
<td>Reserve Bank - 1976</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**Table 13 Capital Output Ratios, 1971, 1976 and 1978**

*Note: All sectors except mining measured in millions of rand, 1970 prices.*

*Dr. M. C. M. T. L. T. has been awarded the degree of doctor of philosophy to Cape Town with the thesis on financial management.*

*He holds the degree of Doctor of Philosophy from the University of Cape Town.*

*The Faculty of Commerce of the University of Cape Town has awarded the degree of Doctor of Philosophy.*

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**Table 13 Capital-Output Ratios, 1971, 1976 and 1978**

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<td>484,507</td>
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<tr>
<td>Reserve Bank - 1976</td>
<td>X</td>
<td>X</td>
</tr>
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</table>

**Table 13 Capital-Output Ratios, 1971, 1976 and 1978**

*Note: All sectors except mining measured in millions of rand, 1970 prices.*
BELGIAN ROLE

Dr. S. Falata of the
Department of the
Prime Minister

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Department of the
Prime Minister

Mr. J. G. F. de Macedo, the
Secretary for Foreign
Affairs, also made a
statement at the
opening of the
meeting of the
government.

The meeting was
attended by the
Prime Minister, the
Secretary for
Foreign Affairs, the
Secretary for
Trade and Industry,
and the Secretary for
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Rise in oil profits levelling

LONDON — A sharp rise in the profits of the major Western oil companies appears to be levelling off as the increase in world crude oil prices slows, according to oil analysts with leading stockbrokers.

Profits could well be up in 1981, but there would probably be nothing so dramatic as Mobil Corporation's 40% increase in 1980, they said.

They suggested that recession could continue to affect sales of refinery products, although some improvement was possible, while those companies which had gained from higher crude prices would possibly see substantial new increases this year.

The two European-based oil multinationals, the Royal Dutch/Shell group and British Petroleum (BP), have yet to report 1980 figures, but United States majors all turned in higher profits.

Exxon Corporation, the world's biggest oil company, said profit rose to 31.8% of Gulf Oil Corporation trailed the others with only a 6% gain — it is the only US major without access to Saudi Arabian crude oil.

Despite the higher 1980 earnings, a look at the oil companies' performance in the final quarter of 1980 shows possibly a changing picture, oil analysts said.

The profits of Exxon were down by 1.1% on the same October-December period of 1979.

These of Texaco and Gulf were also down — Gulf's by 17% — and the increases for Mobil and the Standard Oil Company of California were more modest.

Looking to 1981, oil analyst Mr. Richard Saville of London brokers Phillips and Drew said, "Profit overall may be up on 1980, but not dramatically."

The oil companies have mostly done well on the production side of their business.

But recession, partly induced by the 160% rise in the price of crude since early 1979, has hit sales of petrol, industrial fuel and chemicals in the United States and Europe.

"Although earnings from our energy-producing operations increased by one-third during the year (1980), our downstream businesses suffered during the recessionary economy in the second half of the year," Gulf chairman Mr. Jerry McAfee reported.

"Our ability to compete effectively in a weak economy is being hampered by our dependence on a crude oil state that carries a higher-than-average cost," he added, referring to the other US majors' access through the Arabian-American Oil Company (Aramco) to Saudi crude — now priced at $24 a barrel compared with an Opec average above $36.

London analysts said higher US domestic crude prices should benefit US companies, although these had been partly offset by the windfall profits tax and lower downstream earnings.

The Aramco companies would be hit if Saudi Arabia raised prices or trimmed output, they added — Sapa-Reuter.

Awarded to the student with the Sammy Jacks Memorial Prize

Professor George Mardges Prize

Fourth Year (Gold Medal)

Miss C. Durwood

Third Year (Silver Medal)

Miss C. Littlesworth

Second Year (Bronze Medal)

For the 2nd, 3rd and Final Years.

Corporation Medals
SAI.IS.BURY — Five of the world's biggest oil companies which broke international sanctions against Ian Smith's Rhodesian government made tens of millions of Zimbabwean dollars, according to official figures released in the Zimbabwean capital for the first time.

The local subsidiaries of Shell, British Petroleum (BP), California Texas Oil Corp (Caltex), Mobil Oil and Compagnie Francaise des Petroles (Total), all traded throughout the 15 years of sanctions, with Shell, BP and Caltex the main sources of supply.

The information, obtained by Zimbabwe's Business Herald, does not give the complete picture because of the different accounting policies of these companies, but sufficient data has been collected to give a broad view of their activities.

Before 1973, the local petroleum market was divided between the five companies as follows: Shell 39.1%, BP 27.2%, Mobil 20.5%, Caltex 8.9% and Total 6%.

From 1969, BP's net profits averaged between Z$363,000 (R180,000) and Z$706,000 (R200,000)

For the years 1970-1974, Shell made considerable net profits exceeding Z$200,000 in 1973 and 1974. The accumulated balance on retained earnings in the last year reached Z$1,184,000 (R14.7m).

While there has been a dearth of information since then, Shell Zimbabwe capitalised Z$65.8 million (R11.8m) of reserves in November, 1978 by way at a share issue to the Consolidated Petroleum Company and Mowosz Oil Trading Company. The latter took over BP's local interest in 1964.

Caltex Oil Zimbabwe (Pvt) Ltd, although operating since its incorporation in 1961, has only presented accounts for the years 1970-1973.

Turnover grew from Z$892,829 (R7.2m) in 1974 to Z$944,918 (R7.8m) at December 31, 1977. Net profit in 1977 formed from Z$241,022 (R1.9m) in 1975.

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Unlike its competitors, the French-owned Total Zimbabwe (Pvt) Ltd has run at a loss for some years and only began to make profits after 1975.

For the 1979 year, Total had a turnover of just over Z$18 million (R2.5m) which produced a net profit of Z$707,101 (R16.0m). Accumulated profits stood at Z$26,971,923 — Sapa
Lonrho loses R199-m action for damages

Argus Bureau

LONDON — Three Appeal Court judges have ruled unanimously that there is no legal basis for Lonrho's R199-million (£166-m) damages claim against oil companies Shell and British Petroleum.

Lord Denning, Lord Justice Evershed, and Lord Justice Fox rejected Lonrho's argument that it had a right to sue if it could prove that Shell and BP conspired to breach sanctions orders against Rhodesia.

They also held that a 1965 agreement between Lonrho and a number of oil companies, including Shell and BP, did not contain implied terms that the oil companies would put oil into Rhodesia only through a Lonrho pipeline and would do nothing to prevent or impede the use of the pipeline.

Lonrho will challenge yesterday's ruling in the House of Lords on May 5. If it loses there it will be the end of the complex and bitterly fought litigation that has been before the courts about a dozen times since 1970.

Lonrho had appealed against Mr Justice Parker's ruling in the High Court earlier this year on a series of preliminary legal questions that had initially been argued at the private arbitration of the dispute.

Mr Justice Parker found for Shell and BP on all points.

Holding that Lonrho could not sue for damages resulting from the alleged conspiracy, Lord Denning said yesterday that the lack of any interest on the part of Shell and BP to injure Lonrho was fatal to the latter's claim.

Any conspiracy had been solely to the benefit of Shell and BP's commercial interests and the Rhodesian people. The fact that Lonrho might have been damaged as a result did not give it a right to sue the oil companies.
A local director of the multi-national Lonrho company, Dr. Marquard de Villiers, has been revealed as the mystery man who helped former Prime Minister Mr. John Vorster brief on the imminent collapse of Portuguese power in Mozambique in 1974, and who laid the foundation for Mr. Vorster's Zambian detente initiative in the mid-1970s.

But a book on the Zambian independence struggle by an information secretary to the National Party, Dr. Eshel Rodriques, and the former BOSS chief, General Hendrik van den Bergh, has been published, apparently with the blessing of the Zambian government, and it gives an account of the initiative that had previously been suppressed.

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The book, "The Key Man in Vorster's Detente Bid," is based on interviews with Mr. Vorster, who was a key player in the negotiations that led to the Zambian independence. The book reveals that Mr. Vorster was involved in the negotiations and that he was able to persuade the Portuguese to grant independence to Mozambique.

The book also contains information on the Portuguese secret service, which was involved in the negotiations. The book is a valuable resource for understanding the complexities of South African foreign policy and the role of the National Party in the independence of Mozambique.

In conclusion, the book "The Key Man in Vorster's Detente Bid" provides a valuable insight into the complexities of South African foreign policy and the role of the National Party in the independence of Mozambique. The book is a must-read for those interested in understanding the history of South Africa and its foreign policy.
Labour Laws crucial in Vadal area

By R.W. Anderson

He said: "We believe that the full implementation of the laws is crucial in the Vadal area. These laws are designed to protect the rights of workers and ensure fair and safe working conditions."

Election

The importance of the upcoming election cannot be overstated. It is a critical moment for the future of our community. We must ensure that our elected representatives are committed to upholding these laws and working towards a better future for all Vadal residents."
The plan to create...

Tax Savings. Integrate merger to form giant mine.
RUPERT HAS HIS SIGHTS ON MINERALS

Special Finance Correspondent

TOBACCO and liquor magnate Anton Rupert is laying the groundwork for a spectacular entry into the international energy and minerals business.

There are plenty of clues, however. Through its interest in Rothmans of Canada, Rembrandt already has a stake in an energy company, known as Star Oil and Gas.

Rembrandt formed an overseas investment company two years ago, in partnership with an unidentified European group.

According to Dr Rupert, the object of the venture is to invest in "resource-based industries." The company's investments totalled about R100 million towards the end of last year, almost double the figure earlier in 1980.

So far, most of the investments have consisted of building up a portfolio of stocks in various companies. But Dr Rupert is rumoured to be keen to take a sizeable share in a leading international mining or energy company.
Tobacco man in surprise attack on Anton Rupert

By NEIL BEHRMANN

London — An astonishing attack on Dr Anton Rupert, chairman of the Rembrandt group, was made publicly yesterday by Mr Paul Sticht, chairman of R J Reynolds, the US tobacco giant.

Mr Sticht also suggested that the R300-million deal announced last week between Rothmans International, controlled by Dr Rupert, and Philip Morris of the US might be illegal.

The Philip Morris deal — under which the US group is to get control of Rembrandt with Rembrandt of South Africa — was announced by Dr Rupert only hours after negotiations between Reynolds and Rothmans had been called off.

Mr Sticht has effectively accused Dr Rupert of bad faith.

He suggested that the proposed Philip Morris/Rembrandt partnership proposal for Rothmans might

• Break the laws of the European Economic Community in general and West Germany in particular
• Encourage strong opposition from the takeover panel of the London Stock Exchange and from the authorities in Canada

Mr Sticht said Reynolds had considered agreeing to a deal with Dr Rupert similar to that now agreed Philip Morris but had been advised it could be unlawful.

In a letter to Mr Sticht, now released by him, Dr Rupert said last week "it is universally known that we have always followed a policy of partnership, our previous discussions collapsed because your group was unwilling to put your brands into a partnership deal.

"After the Press announcement of our preliminary discussions (with Reynolds) I was immediately approached by four other parties, approaches which I had not solicited." "I then consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any offer made.

"A firm offer of partnership was received which would not disturb any of our partnership companies but indeed protect Rothmans and of great benefit to the workers and peoples of many countries, "I believe that I have done my duty," Mr Sticht has replied.

"My view is that every event is different from yours in several material respects."

"During our early discussions dating back to November in London we expressed complete willingness to enter into any partnership arrangements with you or Rothmans International with only two conditions, the first being that such a partnership provide us with the ability to gain ultimate control at some point in the future and second that such an arrangement be unlawful.

"We considered in depth what is apparently the arrangement which you now propose with Philip Morris and informed you in London in March that we had been advised firmly by counsel that such an arrangement would be unlawful under the anti-trust and cartel statutes in both the EEC and Germany, and that for that reason alone we considered it to be unsound.

"We also informed you that it would raise serious questions with the London panel and the US investment review agency in Canada, "Our view then was that you understood these difficulties, and we suggested that you confirm to us that you were not an attorney."

These clichés are picked up by the word in the Times, where we frequently see it.

As more than the close out the take the house rule and hours and by the end of the kiss by the six papers the Times of the last day of the Black Cat it had been it gathered.

Public transport and postal services have been cut and will continue to operate, while public safety and road services have been maintained.

The Supreme Court would be determined before the case of the general public. The engagement of the public will be held to take a second place.

In short, Cape Town is fighting for its life, fighting to keep at bay the threat of a total collapse of the city, fighting to keep at bay the threat of unprecedent violence and Margaret.

Simply, from about the middle of the third week of October onwards, the situation began to ease, with the flood of the vigorous campaign grounded against it or the extensive use of disinfectants to clean the streets and slums or just the natural course of the epidemic is unknown, but as the number of deaths and new cases reported fell and the demand for relief increased, with confidence increasing, the Mieder August Anderson on 15 October.

The City Council was less sure. Fearful lest the virus revert as people congregated in the reduced atmosphere, it was ordered that all places of public entertainment and subsequent prayers be closed down and all request for churches be suspended, with a request from the churches being accepted to this request, feeling that the comfort of the people was an asset at such a time, but in past curtail their services.
Rupert denies double-cross

By HAROLD FRIDHJON

AN emphatic denial that Dr. Rupert was guilty of double-dealing in his negotiations with R J Reynolds, the American tobacco giant, was made yesterday by Mr. Johan Rupert, managing director of Rand Merchant Bank, which was involved in concluding the Philip Morris deal.

Mr. Rupert reacted to the attack on him by Mr. Paul Sticht, chairman of R J Reynolds, who published a statement, by saying he had acted in good faith.

Mr. Johan Rupert said that three weeks ago when he was in New York he called on the merchant bankers, Lehman Brothers, and on a business trip, he met Mr. Sticht.

When the announcement appeared in the Press, the Bank did not know Mr. Sticht or Philip Morris or Mr. D'Urso. They were not in the business of selling tobacco and they had no connection with Philip Morris.

When the announcement appeared in the Press, the Bank did not know Mr. Sticht or Philip Morris or Mr. D'Urso. They were not in the business of selling tobacco and they had no connection with Philip Morris.

Mr. Rupert stressed that the Bank had always acted in good faith and he denied the proposition which eventually led to the Philip Morris deal.

He added that the Reynolds negotiations had been dragging on for some time and that he had seen nothing anywhere near a conclusion.

The basis of this conclusion was the question of whether there was any way in which Philip Morris could get involved with Rembrandt.

Mr. Rupert suggested there was no reason why he should not fly to South Africa and discuss the matter with Dr. Rupert. Mr. Rupert did not raise the issue with his father.

Mr. D'Urso flew to South Africa with a team from Philip Morris. They arrived at Stellenbosch shortly before the Easter weekend. They were unable to see Dr. Rupert for several days. Rand Merchant Bank and the Americans got the proposition which eventually led to the Philip Morris deal.

Mr. Rupert stressed that Rembrandt did not know the American company was coming to this country until 24 hours before they arrived. His father was not in the knowledge.

He added that the Reynolds negotiations had been dragging on for some time and that he had seen nothing anywhere near a conclusion.

The basic issue in which discussions had always broken down was on the question of partnership. To Dr. Rupert, partnership meant being part of the Reynolds group, whereas Sticht's viewpoint was a partnership which would lead ultimately to control. This was entirely unacceptable to Dr. Rupert.

Mr. Rupert made the point that if Mr. Sticht had been in the right, the deal would have been settled before negotiations reached what appeared to be an advanced stage.

In any case, there was no question of Dr. Rupert's double-dealing Philip Morris and the two merchant banks came up with a straightforward proposition on their own initiative. It was not a situation of Dr. Rupert's seeking.

Before Dr. Rupert concluded anything with Philip Morris, he had notified Mr. Sticht that he could see no purpose in furthering the discussions, primarily on the question of rights to brands and licences.

We made the pharmacist's report on the condition of the patient's skin and the report of the tests, which were carried out by doctors. Patients also received a report on the tests carried out by doctors. Patients also received a report on the tests carried out by doctors.

In the medical field, the pharmacist's knowledge can be utilized in such medicine as to our patient's benefit and not to cause of his death. At the other end of the scale the need for availability of the pharmacist should be capitalized on by developing in each pharmacy an information and guidance centre where advice and direction can be given to the pharmacist on the needs of the young patient and her parents. For the young patient and her parents, having received through incorrect counselling without resorting to expensive medication, we made the pharmacist's report on the condition of the patient's skin and the report of the tests, which were carried out by doctors. Patients also received a report on the tests carried out by doctors. Patients also received a report on the tests carried out by doctors.

FAMILY PLANNING

It follows that while counselling on infant feeding and other problems family planning can be and often is discussed, once again the shortcomings of community pharmacy can be utilized to provide, not only a distribution service, but a full service.
Likely outlets for Rembrandt cash

By NEIL BEHRMAN
LONDON. — City analysts believe that Rembrandt's sale of half its holding in Rothmans International for $350-million indicates that the group will accelerate its diversification into the mining and energy sectors.

"Rembrandt's latest annual report states that the company is in partnership with a European concern aiming at investing in resource-based industries," says Mr Peter Temple, tobacco analyst at brokers Hoare Govett.

"Current activity has mainly been directed to metals, minerals and energy investments which are spread geographically." Investment by this company is about R100-million and includes R45-million after March 1978.

"The identity of the European partner has not been disclosed, but it would seem probable that this venture could represent a major channel for future cash, and that strategic rather than portfolio investment is the ultimate goal," Mr Temple speculates that Dr Rupert may have his eye on Rio Tinto-Zinc. There has been no confirmation from the market, although there have been rumours that RTZ is ripe for a predator.

Mr Temple says that in 1976 the Rembrandt Group bought a 25% stake in Federale Mymbou, holding company of General Mining.

"The broad trend in recent years, epitomised by Rothmans International's acquiring Rothmans of Pail Maca in Canada in 1978, is for Rembrandt's interests outside South Africa to be concentrated in Rothmans International. Parallel to this, surplus cash will be invested in outside areas which include mining and other natural resources."

Genmin's annual report shows the group is taking part in several oil and gas syndicates in the Gulf of Mexico and the North Sea. The group has a 6% interest in one natural gas discovery and 5% in another. A 18% interest is held in a North Sea gas block. "Considerable further expenditure will be required to establish the viability of this deposit," says the report.

Mr Temple believes it is unlikely that R J Reynolds will make a counter-bid for Rothmans International, but in the longer term Philip Morris will try to buy out the entire company.

"There is very little Reynolds can do. It was outmanoeuvred by Morris," he says.

Mr Nyren Scott Malden, de Zoete Bevan's tobacco analyst, reckons that any bidder would have to offer 58p a share for Rothmans. The 43p a share which is the payment to Rembrandt includes goodwill for various cigarette trade marks.
Exploding cigarette barons

Failure of the talks between Rembrandt, Rothmans International and US tobacco giant R J Reynolds, and Rothmans' subsequent tie-up with Philip Morris (Fox April 10 and April 24) has led to an unprecedented public wrangle between Rembrandt's chairman Anton Rupert and Reynolds' chief executive J Paul Sticht Sticht, who is highly put out by what he believes was Rupert's duplicity in negotiating with Philip Morris. Launched his attack on what he felt was Rupert's business methods in the following public statement: "First I was shocked. Our clear understanding with Dr Rupert during discussions over these past several months was that our negotiating position was exclusive and that he would not engage in discussions with other companies while they were ongoing."

"Secondly, I was most surprised at the form of the transaction, as we had been advised by counsel that such a joint venture would be unlawful under the cartel authority statutes in Germany and the anti-trust statutes of the EEC. This continues to be the view of our advisers."

"Lastly, I am very disappointed for the public stockholders of Rothmans International, as they are not participating in the economic benefits of the transaction in the same way that the minority shareholders, Rembrandt Group. During our several discussions with Dr Rupert, we advanced proposals that would have enabled the minority public shareholder to sell his shares at a fair value contemporaneously with the disposition of his own interests — that is, an offer to purchase the entire company."

Rupert reacted by telex to Sticht (see box), stoutly defending his operating methods and particularly his "policy of partnership". But that was far from being the end of the matter. "Your letter to Rupert" answer to Rupert's telex makes several startling claims. He begins by saying that from the outset Reynolds made clear it was prepared to go into partnership with Rupert on condition that it would "be able to gain ultimate control" when Rembrandt left the scene and if in any such deal was lawful.

He finds it difficult to accept Rupert's claim that he had "stuck to his guns" on the principle of partnership. "At both meetings (in London in March and Madrid in April), we had substantive discussions regarding the acquisition of Rothmans International (RIL) as a whole, and spent considerable effort and time at your prompting on the question of having to achieve the maximum value to your group, while at the same time paying fair value to the public shareholders in RIL. You will recall we discussed the necessity of satisfying the London takeover panel with respect to fair treatment of the minority and our expressed willingness to make any offer within the expressed total value that the RIL board would be willing to endorse."

Sticht says that while Rupert is "technically correct" in saying no firm or final offer had been made by Reynolds, he has ignored offer developments. "We put proposals and alternatives for the acquisition of RIL at our January meeting in SA, and with much greater specificity at our March meeting in London. Since Alex Orowitz managing director of RIL, was present at these, he can confirm this. These proposals were removed in April in Madrid."

The Reynolds' chief also reminds Rupert that "we considered in depth what is apparently the same arrangement which you have now undertaken with Philip Morris. But he claims Reynolds informed Rupert in March that the arrangement would be unlawful under the anti-trust and cartel statutes of the EEC and Germany and for that reason alone we considered it to be unfeasible."

"At our last discussions in Madrid, I undertook not to approach other parties although there had been no firm or verbal offer from your side. What was clear, however, was that, once again, you were unwilling to enter into such partnership in spite of our pleas that you do so and your previous statement to the analysts."

"After the press announcement of our preliminary discussions and a comment attributed to someone from Reynolds that R J Reynolds was having Rothmans courted by four other parties -- approaches which I had not solicited I thereupon consulted lawyers who impressed upon me that I had the obligation to my shareholders to listen to any firm offers of partnership which were made to us and not disturb any of our partnership companies, but indeed protect them and be of great benefit to the workers and peoples of many countries."

"I believe that I have done my duty and remain yours sincerely, Anton Rupert."
for the exclusivity to be continued and you responded in the alternative, after you had agreed to open up the tax structure of RIL to us so that we could determine the final optimal deal. You had already promised to send us information for the southern African partnership which you had proposed,” alleges Sheth.

Says Iradj: “They have been negotiating for eight years and have had the opportunity for true partnership for a while. The first paragraph of Sheth’s statement, saying that they were only interested in a partnership leading to ultimate control, says it all. I am happy for my partners’ sake worldwide that it did not happen.”

Accordingly, the FM was going to press, the shareholders in Philip Morris were being told by their president what the $30mn deal entailed. Wall Street analysts expected the company, which has been tight-lipped about the affair since the bald announcement, would open up at the annual meeting in Richmond, Virginia. In the meantime, the deal is to be investigated by the London Stock Exchange’s takeover panel.

But analysts are not convinced by the Philip Morris claim that the stake in RIL is purely “an investment.” Jack Pickler, tobacco analyst at Wheat First Securities in Richmond, said passive investment roles were “absolutely not the style of Philip Morris.” He predicted that an interchange of trademarks would follow and that Philip Morris’s “very aggressive management would not sit idly by for long. They will want to make the most of this deal for their own company and I would not be surprised to see Philip Morris make a move soon.”

The deal appears to offer a lot to Philip Morris on the international market, where it is currently running Second to British-American Tobacco. Diana Temple, tobacco analyst at Salomon Brothers in New York, said the value to Philip Morris of the Holman’s brand names could be considerable, especially in Latin America where it is hard up against BAT.

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UNIONS ARE THE REAL CHALLENGE

LONDON — Black unions present the South African Government with its most serious challenge, says an article in a major survey on South Africa published by the London Financial Times yesterday.

The black unions constitute a threat both to the working of apartheid and the power of the predominantly white business community. While the union leaders insist that they are trying their best to avoid involvement in political activities, they have to concede that "the whole context in which we live in South Africa is interwoven with politics", illustrating the degree to which political issues intrude and create the tensions within the country's labour force, which revamped industrial legislation cannot contain.

The article states that the growth of the black union movement highlighted the ultimate incompatibility of defending bargaining rights — albeit painstakingly slowly — while providing no comparable shift in the system of exclusive white political power.

Other aspects of the South Africa in way of life discussed in the comprehensive, 14-page survey include:

- The economy and South Africa's inflation problems.
- The homelands policy — and the fact that the government is today rethinking Dr Verwoerd's grand design, mainly because the economic pillar of the separate development policy is tottering.
- South Africa's increasing state of military preparedness. The article states that the armaments industry provides lucrative business throughout the engineering industry, with 600 companies involved in addition to Armascor's own 14 factories of which about 3,000 are employed.
- The boom in imports.
- The efforts of the anti-apartheid campaigns.
- Coal output which is expected to double in 10 years.
- The Sasol projects, and the fact that in South Africa anything to do with oil is shrouded in secrecy.
- Gold: the economy's vital asset is "good for many years". The article points out that every 10 dollars shift in the price of an ounce of gold alters South Africa's gold revenue by just under R200-million.
- On Krugerrands, the article says that more than 30 million ounces have been sold by Inter-gold, accounting for up to 27 percent of South Africa's output in recent years.
- Platinum and diamonds, and a brief reference to speculation that Russia and South Africa agree on platinum, diamond, and gold sales.
- Uranium: According to Calofomia-based Nucorco, at a price of 23 dollars a pound of uranium dioxide, South Africa has 412,000 tons — about a quarter of the newly discovered world's reasonably assured uranium reserves.
- SWA/Namibia. "It is an abiding irony that one of the most fiercely anti-colonial peoples of Africa, the Africans, who fought bitterly to resist the might of the British Empire, should end up as one of the last occupying powers in Africa."
- The politics of trade. South Africa's exports to Africa rose by 92.6 percent in 1980 — from R73-million the preceding year to R735-million. "For officials in Pretoria the politics of trade often reveal more about regional realities than a succession of hostile resolutions passed by the world body" and
- Tourism: Britain remains South Africa's largest source of tourists outside Africa, with more than 120,000 visiting last year, compared with 50,000 Germans and 48,000 Americans. Africa still provides the most visitors: 300,000 last year.

A union member during recent strike.
Call for boycott
in support of union

By ZB MCLEFE
THE Federation of South African Trade Unions (Rosatu) has called for a complete boycott of the products of the A/E/A" National Colgate Palmolive Company in protest against the company's refusal to recognise their union.

And the bitter dispute at the company's Boksburg plant took another turn at the weekend when management said it was prepared to negotiate further in order to avoid a strike.

This is contained in a management statement which added that "management believes that in the end the company, its factory workers and their families will all suffer."

The statement follows the bitter recognition dispute between the company and the Chemical Workers Industrial Union (CWIU) which resulted in the union calling off negotiations at a Conciliation Board hearing yesterday.

"The company has supported the application by the Conciliation Board because it sincerely believed that formal negotiations would help resolve differences of opinion that existed between itself and the union, the statement added.

"The company was not prepared to jeopardise these negotiations in any way and that is why it did not enter into any form of public debate in the Press, unlike the union," the statement continued.

"However, it has become apparent that the union had no real intentions of negotiating whatsoever, this becomes quite clear when one reads the opening sentence of a booklet issued by the union after the Minister had approved the establishment of the Board, and prior even to the first meeting of the Board.

"The opening sentence of the booklet states that the booklet was produced in furtherance of a contemplated strike."

Theossa Ititi, the union's bargaining agent for the Board, must be questioned if they were contemplating strike action, the statement goes on.

Also, it would have served the interests of the union members better to have contemplated conciliation.

The statement argued "It is not surprising that the actual wages paid by the company were not an issue, as the company wage levels are the highest in the industry in which it operates - at a minimum of R40 plus per month for the lowest grade shift worker and over R700 plus per month for a grade one operator."

Multinationals extend a hand

Finance Correspondent

THE multinational industrial and mining companies in Zimbabwe have not been slow to get into the government's good books through large donations to various state schemes and officially approved technical and educational projects.

The latest move is by the bete-noire of business — Lonrho — which is giving the state news agency Ziana the money to set up its own operations. This involves payments to other news agencies to buy their services — with Ziana becoming the sole distributor in the country of foreign news — and foreign exchange to buy equipment.

Lonrho's record in getting smartly on the right side of African governments is second to none. Kenya is a prime example.

The other big mining house, Anglo American, has also made well publicised donations in cash and kind.

The question arises as to what effect these forms of ingratiating will have on the government Lonrho's success comes just a year after cabinet ministers said the company would never succeed in its but to become politically acceptable.

On the other hand, business took a severe censure at the recent chambers of commerce annual congress. The multinationals were not mentioned by name but there were implied references as government officials slammed profiteering and exploitation.

Yet despite an increasing number of hot-headed statements which depend more on emotion than logic, sense is still prevailing in official circles.

So, when the head of the largest trade union organisation called for total nationalisation of mines, citing the borigly familiar accusations of low pay and large profits which are supposedly smuggled out of the country, the response was a firm "no" from the government.

Nevertheless, the pressure is on the international business-classes. They have got to be seen to be helping the people and the country voluntarily, not just reading the official policy when it’s announced.

To this end the chamber of mines has gone a long way to showing its faith by working out a new minimum wage level which is above the official scale.

That is the type of concrete action of which the government takes notice.

Obvious manoeuvres like Lonrho's do not win friends for any length of time. But perhaps the company knows best after all it is still acceptable in countries where many multinationals have been nationalised.
Government wants to keep key industries under local ownership

A QUESTION mark has been placed over South Africa's participation in key sections of the South African economy in one of the clearest statements of Government policy on the subject. Defence Minister Magnus Malan has spell out Pretoria's eagerness to keep strategic industries' safety under local ownership.

General Malan made a little-known speech in Bloemfontein while opening Allied Technology's new cultured quartz production facility, the first of its kind in Africa. After pointing out that Allied was until a few years ago a foreign-controlled company, the minister noted that in the light of the 1983 anti-trust cases, as well as various other threats of sanctions against South Africa, the Government is anxious that strategic industries, such as the electronics industry, should be kept in South Africa.

General Malan said government officials have discussed the issue of local ownership with industry leaders and they have agreed that the country's defence industry should be the first to be fully owned by South Africans. He added that the Government is aware of the challenges involved in achieving this goal, but it is committed to making it happen.

The minister also emphasized the importance of local ownership in the electronics industry, which he said is crucial to South Africa's defence capability. He noted that the Government has been working closely with the industry to ensure that it is able to meet the country's needs.

Despite General Malan's warning, the policy will probably depend on the importance of each company and its record as a reliable supplier. It's worth noting that most of the electronic companies, with the notable exception of the computer companies which have preferred to outsource to other countries rather than accept local ownership already have substantial local shareholders.

These shareholders, which include such companies as Nampak (in the case of SAICOM) and Sunstar (which has a minority interest in Pesky), can presumably be relied on to keep a close watch on their foreign partners' intentions and actions in this country.
In 1966 there were 28,857 outpatient attendances. By 1976 this figure had increased more than tenfold.

The outpatient services comprise two sections:

a) Outpatient department psychiatry clinics i.e. patients attend hospital clinics.

b) Community Services: Trained sisters travel to the patients in their home environment. This service has been available since 1963 at provincial hospitals, but only since 1974 at state hospitals.

Community Statistics:

In 1919 there was a psychiatric bed for every 1,088 people in the country. By 1976 there was a bed for every 760. (This figure includes all beds of all category I institutions).

If the 1976 figure for beds at state mental hospitals only is used, then there was a bed for every 1,500 people in the population, i.e., an overall decline in the number of beds at state psychiatric hospitals per head of population.

In 1919 one in every 1,088 people were patients in psychiatric hospitals. By 1976 one in every 800 were resident inpatients.

Admissions 1919-1976:

In 1920, 1,750 patients were admitted to state hospitals. In 1976 at least 39,700 patients were admitted to state, provincial, and homeland hospitals. The number of admissions grew more than 20 times. The discharges mimicked the pattern of the admissions.

BY ALLAN DE VILLIERS

Labour Correspondent

The agreement provides for an interview between the two parties, possibly in August 1977, when the parties are likely to be more flexible. The agreement will be negotiated on the basis of the following principles:

1. Workers' rights and conditions of employment shall be improved.

2. Workers shall be guaranteed a minimum of 28 days paid holiday a year.

3. Workers' grievances shall be dealt with promptly and impartially.

4. Workers shall be entitled to sick leave.

5. Workers shall receive a greater rate of inpatient turnover.

6. e.g., if hospital A with 800 beds has 300 inpatients in a year, none of whom improve and qualify for discharge, then a total of 800 patients would be resident in that hospital annually. If, on the other hand, hospital B discharges all its patients every 6 weeks, then a total of 5,900 patients would be resident in that hospital annually. Thus nearly 9 times as many patients rotate through hospital B compared to hospital A annually.

new right and win

Kellogg
Rembrandt deal on the cards

By John Spira

THE mighty Rembrandt Group (Remgro), which is currently sitting on cash totaling $650-million, is believed to be on the verge of announcing a substantial international deal.

South African sources close to the company comment that the mooted deal could absorb a large slice of the group's liquidity, $350-million of which has been recently generated via the sale of half of Rembrandt's 44% interest in Rothmans International to the US Philip Morris empire.

Johan Rupert, a Remgro director, was reported to be abroad when comment was sought from him yesterday.

Business Times sources reveal that a possible target for Rembrandt is the giant UK-based mining house, Rio Tinto Zinc (RTZ) — a major producer of copper, uranium, iron ore, tin, aluminium, gold and other metals.

It has interests in the US, Canada, Britain, Papua New Guinea, Zimbabwe and South Africa. Its main South African interest is a 38% stake in Palamos. It also has a 47% interest in Rossing Uranium in South West Africa.

A bid for 20% of RTZ would, it is estimated, require funds in the region of $300-million.

Rembrandt would probably not wish to acquire a stake much larger than 20% because of its policy of building up only strategic investment interests (and not management control) in companies involved in areas other than Rembrandt's traditional spheres of activity (tobacco and liquor).

It already has 20% to 25% holdings in several other companies, including Federated Winebar — a stake which was recently increased from 25% to 30% and which dovetails with Rembrandt's stated policy of acquiring investments in mining.

It is this quest for investments in mining which has spotlighted RTZ as a likely candidate for Rembrandt's next investment move.

Early last month, RTZ shares firmed on rumours that it was about to be taken over. This was denied by the company's chairman, but London brokers believed that, in spite of the chairman's denial, a US oil company was interested in acquiring RTZ.
Bosal announces big expansion in Uitenhage

Post Reporter

THE world-wide industrial group, Bosal International, one of the largest producers of exhaust systems in the world, is to increase its investment at its Uitenhage plant by about R2.5 million in the next four years.

This will make the Uitenhage plant one of the largest tube and exhaust systems factories in Southern Africa.

Mr. Wilf Schoeman, managing director of Bosal Afrika, announced that plans for extensions and improvements to the present buildings to the value of about R1 million are well advanced.

This will include up-grading the present canteen and ablution facilities as well as the addition of a new office block which is planned for completion by early 1983.

As part of Bosal Afrika's national re-equipment and mechanisation programme, more than R250,000 will be spent on the installation of the latest mechanical systems for the manufacture of exhaust systems in the Uitenhage factory.

This is planned as soon as the factory area has been extended early in 1983.

A further R150,000 will be invested in the expansion of the tube manufacturing facilities in the Uitenhage plant over the next two years.

Part of the investment of Bosal Afrika in Uitenhage will be in the form of in-house training.

According to Mr. Schoeman, Bosal Afrika is very conscious of the gap which exists between technical training in South Africa and the ever-increasing need for trained people in industry.

The training programme will concentrate largely on basic training, closely integrated with Bosal's own needs in Uitenhage, leaving the more advanced training to the technicians.
Guinea sidesteps De Beers

The Star Bureau

LONDON — A new diamond venture of about $70 million planned for Guinea, West Africa, intends to sell its output outside the auspices of De Beers central selling organisation.

Bridge Oil, the Australian oil and gas producer, will have a stake of 45 percent and the Republic of Guinea one of 50 percent. The remaining five percent will be shared by Simonious, Vischer of Basle, Switzerland, and Industrial Diamond Company of London.

Marketing of the Bridge consortium’s 70 percent share of production will be handled by Areidor Sales, managed by Industrial Diamond Corporation, which already purchases a proportion of the diamond output of Sierra Leone and Zaire.

Production is scheduled for August 1983 with an output of approximately 200,000 carats in the first year and a progressive rise to 500,000 carats a year by 1986.

The projected output is tiny compared with production at the De Beers group mines which amounted to 14.7 million carats last year.

But the diamond market worldwide remains depressed.
Behind the Phibro-Salomon merger

Anglo in a great new trading house

By NEIL BEHRMANN

LONDON — The merger between Phibro, the commodities trading company in the Anglo American Corporation group, and the giant US brokerage house of Salomon Brothers could form one of the most formidable trading houses in the world.

This is the view of several dealers in commodities in New York and London. The new concern will combine skills in virtually all commodities and a client list that includes governments and most of the biggest international companies.

Analysts reckon that the deal is worth $550-million.

The new giant will have assets of $1.65-billion compared with the US brokerage house Merrill Lynch’s assets of $1.1-billion. The basis of the deal is that Phibro Corp., a New York-listing formerly known as Phibro Brothers, will merge its business with Salomon Brothers.

Phibro technically buys Salomon Brothers through the issue of $200-million 7.5% convertible debentures. The capital account of Salomon Brothers will be distributed to the partners and the debentures will be convertible into Phibro common stock (ordinary shares) in 1991.

In terms of New York Stock Exchange regulations, Salomon will become an autonomous subsidiary of Phibro Phibro’s commodities trading unit, Phibro Brothers, and Salomon Brothers will be independent operating units.

Anglo American Corporation has a 45% stake in the international resources company Minero, which in turn has a 27% holding in Phibro Anglo’s indirect stake in the commodities and financial services house. Scott will be 11.6%.

Phibro Brothers was founded in 1914. Its headquarters are in New York, and it has 50 offices in 45 countries in Europe, North America, Asia and Australia. Phibro has 4,000 employees and markets 150 commodities, including ferrous and non-ferrous metals, ferroalloys, steel, coal, crude oil, and oil products, fertilizers, petrochemicals, sugar, grain, cocoa and other raw materials.

It also has investment and banking interests in Europe and Asia.

Anglo American has 43% of the world’s iron ore reserves and is the world’s largest producer of gold and diamonds. It is also a major producer of copper, uranium, coal, coal, salt, coal and other raw materials.

Last year, Phibro Brothers turned over $24.6 billion in commodities and earned $497-million. In the first half of 1981, Phibro had a turnover of $1.9 billion and profits of $288-million. At June 30 this year, Phibro’s share capital and reserves exceeded $1.95 billion.

Under its old name, Phibro Brothers, Phibro was the commodity marketing division of Englehard Minerals. Earlier this year, Englehard’s industrial and commodity divisions were split, Phibro and Englehard Corp., the New industrial unit, are now separate quotable possessions on the New York Stock Exchange.

Minero has a 27% interest in Englehard Corp.

Salomon Brothers was founded in 1910 and will begin its operations as Phibro’s autonomous subsidiary with a net worth of more than $500-million. It will continue its traditional business of underwriting, issuing and trading securities, corporate finance, municipal financial services and the servicing of domestic and international clients.

For the first 10 months of its financial year to July, Salomon reported record operating profits. The firm was ranked second among US investment bankers for the first six months of the year with $467.2-million. Trading turnover for the first six months of the fiscal year was $730.9-million, or an average of $702.9-million a day.

Salomon Brothers employs 2,400 people. The firm has memberships on the New York Stock Exchange and most other US stock and commodity exchanges. Its headquarters are in New York. It has offices in London, Hong Kong and Tokyo.

Salomon Brothers businesses are almost exclusively institutional and unlike Merrill Lynch it does no business with the public.

It boasts one of the most outstanding credit analyst teams in the United States headed by interest-rate guru Henry Kaufman.
Booming Abercom zooming higher

By DAVID CARTE

Abercom, the international engineering group, easily beat its optimistic interim forecast in the year to June.

Reporting improved profits in all divisions and earnings 31% higher at 27c (1980: 21c), the directors take a bright view of the next five years.

The group lifted sales 40% to R239 612 000, pre-tax profit 87% to R21 578 000 and taxed attributable profit 54% to R15 135 000.

A final dividend of 17c has been declared, making 31c for the year—a 26% improvement on the 26c paid last year. This means dividend cover rose from 2.1 to 2.5.

The directors say: "Budgets prepared in May indicate further improvement in all areas for the year ahead and little slackening in our markets is yet visible."

"Lower rates of growth in the SA economy are forecast for this year and next, however, and this may cause some reduction in our currently high growth rate."

"Nevertheless, our view of the five year future remains optimistic. We expect average real GNP growth at 4% to 5% p.a. over this period and we are continuing to prepare ourselves to supply the expanding markets which will result."

The group is well positioned to take advantage of upturns in the UK, Europe and South-east Asia and important orders have been received for fans from Australia.

The results were achieved in spite of losses on contracts in Consass and Metter. These could not prevent the key engineering division, like all the others, improving profit.

The chairman, Mr Peter Herbert, said the losses were not large in group terms and their non-reurrence next year was not significant for earnings prospects.

Mr Herbert said the tax rate was bound to rise in 1983. Asked how much, he said: "somewhat."

Asked how high dividend cover could go, Mr Herbert said: "Our aim is to improve the dividend year by year by more than the inflation rate. Within that effort, we will let our dividends, according to prospects and the financial situation."

"It would be about 3% at the highest and 2% at the lowest."

Mr Herbert had high hopes for American Davidson, a 30-acre factory acquired recently at the knock-down price of R4 890 000. Davidon Fan, he says, is performing well. He is also pleased at Hamilton Taylor's turnaround in a sluggish mining equipment market.

The light engineering division also came up with much improved figures with Rubic, Metral and Almabys important contributors. Abercom Central Africa did well, but Giant Security hid another difficult year.

The metal component companies were outstanding, almost doubling profits thanks to buoyant demand increased penetration and better productivity. Capital expenditure last year totalled R15 million, funded out of cash flow of R26 million. Capital this year should top R40 million.

Asked how vulnerable Abercom was to a takeover attempt in the present acquisitive climate, Mr Herbert said it would be foolish for anyone to make a contested bid as Abercom's strength is its management team. If this were upset and the team fell apart, the group would be unlikely to perform again as well.

He said Sunarm had a 16% direct and probably a 25% or 30% indirect holding and Gencor had 5% Standard Nominees representing a dozen UK holders and 11% and Volksmas about 5%.

COMMENT: Earnings growth will have come as a pleasant surprise to the market. Not many companies recently have been further ahead at the year-end than at the interim. Particularly gratifying is that Abercom's pret-Herbert profit has been organic and not acquisition-based. This augurs well for management and efficiency down the line.

The dividend is more or less what the market expected. At the current 43c, the shares yield 7.5%, which is attractive considering there is still momentum in engineering and that foreign business—already 25% of sales—is set to improve.
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R3700-m under control of Rembrandt

3.3. En

3.3.1. Own Correspondent

CAPE TOWN — The Rembrandt group and its associated companies controlled assets worth R3 700 million and had an annual turnover of more than R7 000 million, Dr Anton Rupert, chairman and founder of the company, said in Stellenbosch yesterday.

In addition, the group had substantial investments in mining, banking, insurance engineering and petrochemicals, he told the annual meeting.

The sale during the year of half of the group’s interest in Rothmans International for $300 million, and other disposals, had given the group substantial liquid funds.

Suitable investment opportunities were being continuously reviewed and Dr Rupert said that in the past five years the group had greatly diversified its interest in South Africa.

As a result, it owned 20 percent of Fedesale Nynas, 20 percent of Volkskas, 40 percent of W & A Gilbey, 20 percent of General Volkskas in Surinam, 50 percent of Henkel SA, 20 percent of Total South Africa, 13 percent of Trans Net, 20 percent of Mafcor, 10 percent of Stewart and Lloyd, South Africa and 20 percent of Cape Wine and Distillers.

All these companies had shown sustained growth in the past year.

The sale of H. Back would have no significant influence on Rembrandt’s financial results, Dr Rupert said that a successful long-term investment in the clothing industry called for substantial investment in chain stores or retailing finance in order to secure turnover.

3.3.2. U100 Terminals

The method of correcting lines is different in that any string between the <SOB> character and the cursor can be sent to the computer. To do this there are four keys with arrows on them, indicating the direction in which they move the cursor, enabling the cursor to be positioned anywhere on the screen. Any character in a line can be changed by superimposing the cursor on the character to be changed and then typing the correct character. The line can then be transmitted by moving the cursor to the end and pressing the transmit key. Additional characters and redundant characters in a string may be inserted or deleted before transmission by means of the <INSERT> and <DELETE> keys. If the <INSERT> button is pressed once, the right-hand part of the string starting at and including the character position where the cursor is situated will be shifted to the right by one space, thus making space for an additional character. If the <DELETE> key is pressed the character over which the cursor is situated will disappear and the right-hand side of the line will move one space to the left to close the gap.
No Rupert men on Rothmans board

Financial Correspondent

LONDON — Sir David Nicolson, chairman of Rothmans International, says there are no "Rupert-Rembrandt" representatives on the RI board.

He was answering a shareholder who asked the chairman to identify which RI directors were Rembrandt representatives, and which of these had "gone behind the board's back" among the Reynolds-Rembrandt-Philip Morris links earlier this year.

The shareholder added that such persons "should do the honourable thing and resign."

However, Sir David said there were no such representatives. These were non-executive and executive directors on the Rothmans International Board and those owed their responsibility to Rothmans.

Sir David said he could not say whether Reynolds was prepared to make a full bid for Rothmans, as talks with Reynolds were held by Dr Anton Rupert. But Dr Rupert did say he was never interested in a deal which would involve a full bid. He was interested only in a partnership arrangement.

Sir David said at yesterday's annual meeting Philip Morris and Rembrandt Group now own an equal number of shares in Rothmans Tobacco (Holdings) Limited, which owns a 44 percent stake in Rothmans International.

Sir David said RI's trading performance since the beginning of the financial year had been encouraging, and earnings were expected to show an improvement.

It was, however, difficult to forecast trading for the current year as a whole because of the uncertainties in international trading conditions and exchange rate movements.
SA investments 'undermine UN'  
FOREIGN investments by transnational companies and banks in South Africa have risen sharply in the last two years, undermining United Nations efforts to weaken Pretoria's apartheid policies, according to a UN report discussed in Geneva yesterday.

The report by the Centre on Transnational Corporations says foreign money is being poured into key South African industrial sectors including coal, oil, electronics, computers, and chemicals.

The assets of the Barclays group rose by 25% to reach $940 million (€520 million) in mid-1985 compared with a year earlier, while those of the Standard Bank group increased by 16% in 1979 from $500 million in 1978.

Both groups are diversifying from commercial banking to a wide range of financial services, including merchant banking, hire purchase, leasing, credit cards, securities services, insurance broking and unit trusts. But some Governments' delegations at a meeting in Geneva of the UN Commission for Transnational Corporations, which is preparing a far-reaching code of conduct for transnationals, said the report was inaccurate and misleading.

The British delegation said the report's derogatory references to the EEC's code of conduct for transnationals operating in South Africa were incorrect.

Financial accounting is supposed to reflect the economic realities of a business. Financial measuring and economic principles due to the fact that accounting is required to be objective, which is re-laxed for economic purposes. Financial accounting should not be at economic unless there are compelling reasons. Accounting does not recognise the interest of capital at all, because to do so would not be in line with GAAP.

Anthony feels that this was not accounted.

In this chapter I propose to discuss briefly the Proprietary and Entity theories of Accounting, and then to highlight various of the arguments both for and against capitalising an imputed interest on equity capital. I will conclude by examining some of the major problem areas involved were such a policy to be implemented.

5.1 Proprietary vs Entity Theory

The proprietary theory of accounting views the enterprise as being owned by the proprietor himself. He is the centre of all accounting - all the assets are his, and the liabilities are his obligations, and any excess of assets over
If the Holding Company were only acting as a conduit pipe in transferring its superior borrowing powers to obtain a loan at 10%, the problem would be practical.

In the separately issued finance subsidiary companies, the amount of capitalised is limited only to the interest on the particular entity.

Controversy may reign where, for superior standing, the holding of the subsidiary lends to the Subsidiary at 10%, and the interest in the group accounts feel the cost to the group is on position is being shown in the current application of FASB 34 would be justifiably consistent.

Further problems arise in accounting for less than 100% owned subsidiary companies, unconsolidated subsidiaries, and associated companies.

4.8.2 Minority Interests

The problem of how to deal with minority interests in the
Minorco's earnings increased by 65%.

Minorco and Resources Corporation's (Minorco) earnings before extraordinary items leapt by more than 65 percent in the year to June 30.

However, the results are not strictly comparable with those of the preceding year because investments acquired by Minorco in December 1970 were held for only part of the 1980 financial year and there were further acquisitions which took effect last February 24.

Earnings from operations rose from 24.7-million dollars to 26.2-million dollars.

However, after adding a whopping 138.7-million dollars (67.5-million dollars) in extraordinary items amounted to 180.4-million dollars compared with 112.4-million dollars a year earlier.

Extraordinary items absorbed 14.8-million dollars — last year they added 2.6-million dollars — leaving net earnings at 171.8-million dollars (114.8-million dollars).

A weighted average of earnings a share reflects earnings from operations are slightly lower at 2.2c (1.2c) while net earnings are much higher at 1.13 dollars (1.25 dollars).

However, the directors have declared an unchanged final dividend of 16c which makes the total for the year 23c — only slightly up on last year's figure of 20c.

The total number of Minorco shares in issue has increased from 99.9-million to 171.9 million.
MULTINATIONAL CORPORATIONS

1982; 1983 - 1984; Dec
Cell death brings comment from Anglo

Anglo American Corporation's South African mining and industrial unit has joined the growing anxiety in business circles over the government's sweeping powers of detention without trial.

The corporation's comment came after the death of Dr Neil Aggett, a prominent trade unionist who was found hanged in a cell last week. Dr Aggett was one of about 10 people in detention under anti-subversion laws.

In a rare statement on a specific national issue, Anglo American yesterday said yesterday, 'Dr Aggett's death had a serious impact on industrial relations.'

The very regrettable sequence of events such as Dr Aggett's death 'is to intensify the strained relations with political tension,' the company said.

Second views were expressed earlier by two leading business organizations, the Federation of Chamber of Industry and the Association of Chamber of Commerce of South Africa, News Service.
Boart goes deeper

By Vera Beljakova

BOART International has now moved even more deeply into the European—particularly the German—coal and soft-rock mining markets since its new acquisition, West Germany's HWF Waidram plant, has proved a success.

The new plant has grown to a point where it expects to show a turnover of more than R6-million this year from manufacturing hard-metal cutting tools. When Boart bought the Burghausen-based plant for R2-million, it was the operating mining division of Waidram, which also owns factories in the Ruhr producing industrial wear parts and carbide.

The new acquisition, now operating as Boart HWF and employing a staff of 150, produces 50 tons of tungsten carbide and 90 tons of WC powder a year.

One of Boart's other West German companies, Offenbach-based Boart Gmbh, markets the full range of hard-rock tools produced at Boart's Shannon plant. But in the not-too-distant future this company could be consolidated with the Burghausen operation, which in addition to producing coal mining packs and borers also manufactures industrial wear parts, particularly spray-gun nozzles and — a new item on the list — rotary drill bits.

Boart will also operate a repair shop and sales office in Essen to serve the European coal industry.
Boart deep into U.S., Australia

By Andrew McNulty

Earnings rose to total 37%.

In the year to December 31, Boart's sales rose by 30.7% from R604.1-million to R755.5-million and attributable income rose by 90.6% from R29.7-million to R58.8-million.

The group chairman, Hytton Davies, says in his annual statement that major contributors to growth were exploration drilling equipment and contracting operations in the US, Canada, Mexico and Australia, and perrussion drilling activities in Canada.

"These performances were achieved despite the overall depressing effect of low prices for most metals, including uranium."

"In general, the effect of metal prices on exploration activities is delayed so that we have been benefiting from price levels ruling in previous years," he says.

Mr Davies notes that the group has been through a major growth phase with substantial expansion in facilities.

Major capital expenditure programmes have been undertaken in the US, Canada, Australia and Mexico, and at several centres in South Africa.

"I expect the recent surge in expenditure to decline as we enter a quieter period of consolidation."

"Conditions in 1982 will be difficult, Mr Davies says, because of low prices of precious and base metals, the depressed state of the world economy and continuing high interest rates."

A further boost from the rand/dollar exchange rate looks unlikely.

Reviewing operations, Mr Davies says that exploration drilling equipment, tools and services -- which accounted for 52% of sales last year compared with 47% in 1980 -- showed gains in North America, Mexico, Canada and Australia that strained the company's resources at times.

"In Australia the Adelaide and Melbourne based operations were fully stretched and both achieved unprecedented levels of sales and earnings."

The percussion drilling equipment and tools division -- responsible for 24% of sales -- remained buoyant despite metal prices, but suffered from pressure on margins due to increased competition.

The orientation towards the mining industry has shielded this business area from the effects of drastic reductions in construction activity in North America and Europe, Mr Davies says.

"In South Africa, after a slow start due to overstocking and stricter cost control on the mines, the larger companies performed well but without the significant growth of previous years."
SAB in offshore thrust

- From Page 1

Growth in turnover — well ahead of the estimated private consumption expenditure growth of 50% last year — was the performance of the beer interests, whose sales volume rose by 32%.

But Mr Goss points out that last year's beer sales growth was well down on the 30% achieved the previous year, and could fall significantly, possibly by as much as half — to about 10% — this year.

"We couldn't complain about that because it would give us a breathing space.

"We have been under a lot of pressure to supply the market and have been barely succeeding."

Commenting on the general outlook, however, Mr Goss says that he has not yet seen the more pessimistic growth levels that had earlier been expected to emerge by now in consumer fields, other than in durables, which are showing negative real growth.

"I find the market very difficult to predict right now.

"In some of our business we are doing better than expected, and if the economic commentators are to be believed then we are due for a very sudden downturn."

SAB is expecting to outperform average economic growth levels because all its activities except hotels are pitched at mass markets aimed at lower-to-middle-income spenders.

This group is expanding with the growth of black spending power, fuelled by efforts to close the wage gap, by the greater muscle of trade unions and by the movement of blacks into better-paid positions.

Mr Goss adds that consumer spending generally could be fuelled by pay rises, many of which may still be awarded at levels of about 15%.

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Address: 201/4 City Centre Corporation Street
Cape Town
8001

Telephone: (021) 433658

Officials: Secretary: A. Frazer

Area of Operation: Western Cape

Founded: 1939

Registration: Yes

1974 affiliated to TUCSA and had disaffiliated by 1977/78 and with other unions formed FOSATU in 1979
Anglo again
THE major
foreign force
in America

ANGLO American, already the largest foreign investor in the US in 1980, was again in top spot in 1981, according to a further report just released by the American Committee on Africa.

To clinch that financial position, Anglo shouldered Royal Dutch Shell from first place into second British Petroleum followed in third place.

The report asks the question “What will the effect of South African investment in the United States have on US policy toward South Africa?”

“Will it pave the way for growing US acceptance of South Africa, helping strengthen the already powerful lobby favouring closer relations with this economic powerhouse?”

A total of 143 separate Anglo investments in North America are identified — 106 of which are in the US (in 32 states) and 37 in Canada (in seven provinces).

Of the total North American investments, five are in agriculture, 10 in the chemical industry, 18 in energy, eight in marketing, one in investment banking, five in mineral processing, 24 in manufactured steel products, nine in construction and 25 in industries unconnected with Anglo’s traditional spheres of business activity.

In addition, eight more are trading companies and 10 are holding companies.

The report has been unable to identify the economic activities of 23 Anglo investments.

It comments “Anglo’s choice of investing in North

By John Spira and
Stephen Open.

America is no accident. North America offers a stable area politically and economically, it is an area rich in mineral and energy resources.

The sector-wise and geographic diversification of its investments will cushion Anglo American from the fluctuations in prices in any one specific natural resource.

“Anglo American will realise a high return on successful investments because it can export more of its profits than it could in countries with exchange controls or nationalisation plans.”

Significantly, through its holding in Phibro (the world’s largest publicly owned commodity trader) “it has access to the major resource that South Africa lacks — oil.

Phibro is acknowledged to

To Page 3
Anglo’s U.S. lead

Anglo’s headquarters become all the more important because it is a tax haven for businesses and because of its perceived image as a neutral country or an English colony.

"Anglo has placed itself in the position to become an important broker between the United States and South Africa.”

The conclusion: Anglo’s investments significantly strengthen US economic and political relations with South Africa and its undemocratic political system.

Minoree is identified as having "the greatest wealth of any of Anglo America's overseas subsidiaries." The report claims that "the choice of Bermuda as Minorco's headquarters becomes all the more important because it is a tax haven for businesses and because of its perceived image as a neutral country or an English colony."
Plastics firm sets up in US

JOHANNESBURG — One of South Africa's leading plastics manufacturers, Gundle Plastics, is busy commissioning a new R11.4 million plant in Houston, Texas.

Based on South African technology, the facility will produce up to 8.5 million square metres of plastic sheeting per year.

The US plant, which is to be officially opened on September 2, has opened up new markets for Gundle — notably in South America. The company has already landed two contracts in Chile.

One contract is at the Chuquicamata copper mine and the second involves the use of hyperplastic material at the Mañoles Blancos copper mine, in which Anglo American has an interest. In this instance material is being supplied direct from South Africa.

Another interesting overseas contract on Gundle's books is for the supply of lining for brine ponds in Israel.
Australia accepts
Pick 'n Pay

By Geoff Kunze

CANBERRA — The Australian Government has given approval to a joint South African retailing company to begin operations in Australia.

The government announced last night that the Pick 'n Pay group had been given approval to launch a joint operation with an Australian company to establish hypermarkets in Australia.

**OPPOSITION**

The decision was made despite strong opposition from Australian companies, deeply concerned that the Pick 'n Pay method of retailing will seriously damage local companies, particularly small retailers.

There was also some opposition to the proposal on political grounds. Some opponents argued that the government would have to bar the proposal if it was to be consistent about discouraging relations between Australia and South Africa.

**FLATLY**

The Government flatly rejected this argument. It said that government policy was non-discriminatory and that the country of the foreign investor was not legally relevant.

The proposed retailing group will operate under a new company, Pick 'n Pay Supermarket, in a suburb of Brisbane. It will be a joint operation between South Africa's Pick 'n Pay and the Australian group.

**Outcome**

The Queensland Government has approved the proposal subject to the final approval of local government authorities for the establishment of the hypermarket.

Mr Howard said that the national government had accepted this advice after it had also accepted that the proposal involved predominant Australian ownership.

Mr Howard said that the government had considered numerous objections against the proposal. Most of the objections were related to the proposal that the hypermarket would have adverse effects on small businesses in the region.

Mr Howard also said that the government had considered the significance of the proposal as a decision that would influence long-term trade and investment between Australia and South Africa.

The government has also decided to monitor the development of the hypermarket closely to ensure that it complies with local laws and regulations.

The government believes that the decision to allow the Pick 'n Pay group to operate in Australia will help to strengthen trade and investment ties between the two countries.

The government is also confident that the hypermarket will contribute to the growth of the Australian economy and create new jobs for local workers.

The government has also taken steps to ensure that the hypermarket will be environmentally sustainable and meet local standards for health and safety.

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FORMER British Prime Minister Mr Edward Heath, whose favourite activities recently have been sailing his yacht and sniping at Mrs Margaret Thatcher, has taken on a new business role as a sort of electronic James Bond.

More accurately he has become the super-computerised equivalent of 007's boss, M.

He is the $100 000-a-year chairman of the international advisory council of International Reporting Information Systems (Iris), the private sector answer to the CIA.

Incorporated in the Netherlands, based in Washington and formed at the request of "a group of European businessmen," Iris will provide political and economic information for multinational businesses.

The bold and imaginative project, as far as can be understood from Mr Heath's close-mouthed colleagues, modelled on the CIA pattern by influential — and rich — businessmen who have reason to mistrust the CIA's track record

Through a worldwide network of agents (or correspondents as Iris prefers to call them) and by using the most up-to-date electronic machinery available it will gather economic and political information from which it will supply assessments and forecasts to businessmen around the world — in particular to world insurance businesses — for a fee.

Only through his membership of the Brandt Commission, Mr Heath has for many years been active in trying to foster and develop international trade. He believes that lack of reliable information has inhibited trade and commerce and has at times cost the West thousands of millions of dollars. One example is the CIA's disastrous forecasts on the stability of the Shah's regime in Iran.

Iris intends to provide reliable information and believes that a huge and growing market exists for this service.

Despite the proliferation of newspapers, magazines, radio stations and news agencies around the world, it seems the business world is still rather in the dark as to what goes on.

"I saw, through my work on the Brandt Commission, how inadequate information for the first time in insurance history will provide international investors with insurance cover against the political and economic risks of investing around the world. The Iran lesson has made businessmen increasingly wary of investing long-term funds outside their home territories and has virtually choked off investment to the developing world.

This has left private banks providing most of the money at increasing risk to themselves and at great cost to borrowers.

The field of information gathering, through 80 correspondents worldwide, will be sub-contracted to the thriving Washington political analysis agency, GCR. At its heart will be a Burroughs B7000 dual processor mainframe computer reckoned to be the largest computer in the world, even larger than the CIA's machinery.

For the technically-minded, this computer will have six million bytes of main memory and 1600 million bytes of disc storage.

Iris has also enlisted the services of what is called a "Kurzweil Omnicon" optical character reader, a truly amazing piece of space-age technology which can read any publication in any language, select, store and retrieve the information at the touch of a button.

The company intends to read every publication produced in the world and monitor every radio broadcast made 24 hours a day, all year round.

The real star of the outfit is a computer genius by the name of Lee T Feldman. When he was 15, Feldman took a special course of studies in immunochecology at the Rockefeller University of New York. He then went on to the Skylab programme before joining an engineering company to develop new methods in petroleum processing. Lee Feldman is now 27.

The company will operate through six subsidiary companies in Africa, Asia, the Middle East, Latin America, Western Europe and the United States.

The supervisory board, which Mr Heath heads, will pass policy guidance, and according to published information in Britain he will be responsible for recruiting additional directors of "public prominence" internationally.
Five hundred of SA's top businessmen were this week exposed to a salutary array of international perspectives on "Foreign Powers and Africa." This was the theme of the second world outlook conference organised by the SA Institute of International Affairs (SALIA).

It was evident that SA is inextricably part of the continent. But, of course, the problem was apartheid. Foreign speakers, led by former US Secretary of State Henry Kissinger, while sympathetic to SA's "complex" internal racial situation, urged the need for political change.

"If it were not for the political problems, SA and the rest of Africa would have greatly benefited from a mutually-advantageous and useful relationship," said John Sewell, president of the Washington Overseas Development Council.

In his eloquent outline of the role of multinational corporations (MNCs) in Africa, Sewell contended that mutual suspicion between African governments and the MNCs was breaking down, and made a plea for enlightened understanding by both parties of each other's needs. He also stressed the urgency of increased MNC investment in Africa and expressed confidence in its future notwithstanding its enormous problems — compounded by the current harsh world economic climate.

Optimism about Africa's future was shared by PFP deputy leader, Colin Eglin, who sees a new pragmatism evolving in Africa. He did not share the view of "those who, apparently with a degree of macabre satisfaction, enjoy playing the theme 'Africa is dying'"

Evidence of Africa's dire economic ills was spelled out, perhaps predictably, by SA Foreign Minister Pik Botha. He opened the first day's proceedings. SA was willing to share with Africa. Botha said Botha — a theme reinforced by conference chairman, Harry Oppenheimer, who said while SA had the material ability to help Africa, it also needed the moral and human ability.

In a somewhat mystical, but nonetheless incisive, survey of Africa's needs, former Zimbabwean cabinet minister David Smith reminded delegates of the basics of the development task. A sensitive appreciation was needed of African aspirations and "dignity" in what are young, ambitious nations "awakening to the impact of external forces upon its people."

Smith made a plea for understanding by critics of the plight of the "master standing on the bridge of that great ship of State who has to chart a course through the turbulent seas that lie ahead." More practically, most speakers on economic matters concurred with Smith's identification of food production as a fundamental prerequisite of African development. Other essentials include water (an aspect dealt with in detail by CSIR president Chris Garbers), responsible land use, and education. Africa has a wealth of natural resources, human and
Chilean R250 000 loss provision hits Barendsz profits

By PAUL DOLD
Financial Editor

A R250 000 provision for a loss in the Chilean fishing venture marred a much improved first half from Willem Barendsz with pilchard canning resumed and earnings per share divied from 4c to 2c.

At trading profit level Barendsz profits were well ahead at R767 239 as against R650 648 but outside shareholders’ interest (up from R99 762 to R149 838) and the higher tax rate pared profits to R400 606 (R412 886).

The R250 000 Chilean provision depressed profits to R159 606 (R412 886).

The interim dividend has been cut to 3c (4c).

The chairman, Mr Robert Silverman, says that subject to the anticipated movement of stocks and pool realizations taxed profit for the year ending December should be around R730 000 against last year’s R978 024.

As with most South African companies operating in Chile, Barendsz was hit by the low price for fish meal on international markets.

"Hopefully, there will be an improvement in the near future," he adds.

The report is the resumption of pilchard canning United Fishing Enterprises, in which the company has a 20.9 percent stake, packed 701 850 cartons against nil last year.

Total fish landings at Walvis Bay were down at 58 000 tons (77 014), fish meal production was 12 200 tons (18 820 tons) and fish oil 2 600 (7 359 tons).

The results confirm that the pilchard stock is recovering and fishing shares could be well worth watching, particularly when the pioneering Chilean ventures improve.
Multinational under scrutiny

Third World firms mushroom

GENEVA — Third World countries, while attacking Western transnational corporations for hindering their economic development, have been quietly developing international companies of their own.

In most cases, technology used by the "Third World multinationals" was obtained from the very Western corporations which were criticized.

The International Labour Organisation says that at least 2,000 companies in developing States have opened subsidiaries in other Third World countries. Half of them are involved in manufacturing.

"The know-how of most Third World parent firms was acquired originally from advanced countries," it says, "but the technology they transfer to their subsidiaries is adapted for their own home markets and scaled to small-volume manufacturing.

"Often, labour is substituted for machines, which results in lower operating costs."

The subsidiaries of Third World multinationals often use second-hand machinery as well. They also use more locally available materials than industrialised corporations."
There's no stopping SA 'hyper' in Aussie

By Frederick Cleary

Pick 'n Pay chairman Raymond Ackerman does not think any possible change in government in Australia next month will affect his plans to open a hypermarket in that country.

"The present Liberal Party Prime Minister, Mr Malcolm Fraser, has long been anti-South African, so, even if Labour's Bob Hawke wins, I do not expect any problems," he said in an interview.

"Anyhow, Australia has a federal system and I have been dealing with the Queensland State Government and have their blessing.

The Australian venture has, understandably, been fraught with problems from the start, many of them political and racial, but everything was now on course, said the Cape Town businessman, who introduced the hypermarket concept to this country in 1975.

BRISBANE

"Some Australian financiers are coming over next month to tie up details, and we hope to open an Aussie at the end of 1984 or the beginning of 1985."

The hypermarket, in a northern suburb of Australia's third-largest city, will be called Pick 'n Pay, of which the Ackerman organisation will have a third financial interest, the balance coming from prominent Melbourne retailer Mr Jack Lieberman.

It will be an Australian-registered company, but the top management will be shared between executives from both countries, with general manager-elect being Mr David Goldenberg, head of Pick 'n Pay's Brackenfell hypermarket in Cape Town.

"David Goldenberg will be on his own out there," said Mr Ackerman. "He will be running his own operation, as I will not be able to control it as well as our South African interests."

NINE MORE

"He will have a team of our top management people with him, as the whole hypermarket concept is foreign to Australians."

If the Brisbane exercise succeeds, Mr Ackerman and Mr Lieberman plan to open nine other hypermarkets across the country in the next decade, but with Mr Ackerman having a 50 percent interest.

"I have never been so nervous in my life as over this deal," said Mr Ackerman.

"We were told hypermarkets would not work in South Africa, but we proved our critics wrong when we opened first in Boksburg in 1975 and then in eight other centres."

"There was such a lack of confidence in us then that we had to put up most of the capital ourselves."

"We are only putting R3 million into Brisbane, and as we have reserves of more than R60 million we can afford the gamble."

WIDE OPEN

Mr Ackerman said he had been thinking of venturing abroad for some years.

"Although we still have lots of growing to do in South Africa, with room for at least another 30 or 40 stores, my planners and I do see problems in the next decade unless we do something different.

"We examined several areas — manufacturing, jewellery, clothing and other ideas. But we decided to remain in the field we know best — mass marketing."

"So, it was a case of looking for another country. And keeping to English-speaking areas, we looked first at the United States, Ireland and the United Kingdom.

"We decided that Australia was wide open and had a good look around."

Mr Ackerman ran into much opposition from Queensland retailers, who showed pictures of a barn in the Free State, saying it was a Pack 'n Pay operation.

RESPONSIBILITIES

"They introduced politics and race by criticising me being a South African and Jewish, and this anti-semitism I could not tolerate. Our lawyers soon stopped this nonsense," he said.

ALL RACES

"I countered all this adverse propaganda by going across there last July, talking to State Government officials, showing slides of our operation and explaining how we saw our social responsibilities in South Africa and what many of us were trying to do for all races.

"We soon swung them over to our side and gained official approval.

"Things have worked well so far, and if we can finalise matters next month we will start building in April or May."

"The Brisbane hypermarket will be about the same size as our Boksburg and Brackenfell branches, covering 20 000 sq m and will employ about 300 staff."

After Australia? "We have a challenging and exciting 10 years ahead of us. But if all goes well I would like to tackle the very home of mass-marketing — the United States."
Charter raises offer

Charter Consolidated is making a new offer for Anderson Strathclyde after the UK High Court's decision to allow Charter's takeover bid to go ahead.

The offer is 210p a share, worth £55 million, for all Anderson and compares with Charter's bid, made last June, of 139p a share.

Charter is going for the 71.5% of the company it does not already own after a dawn raid on the London Stock Exchange in 1986 when it increased its stake in the Scottish mining equipment company to the 28.5% it now holds.

Charter's first bid was initially outlawed by the UK Monopolies and Mergers Commission. This decision was overruled by the UK Minister for Trade and his decision was upheld by the High Court following an appeal against it by Anderson Strathclyde.

According to Charter, Anderson's profits over the past few years have benefited from a boom in mining equipment orders. But the boom is ending.

It believes Anderson will be hard put to maintain, let alone increase, profits in the year beginning April 1988 even without taking into account the effects of Anderson's acquisition of 31% of National Mines Service Company (NMS).

Charter considers the NMS acquisition will adversely affect Anderson's profits and cash flow and its gearing.

The NMS shares will cost Anderson about £33 million, financed by borrowings.

Cash flow to compensate for the estimated £10 million interest charges on these borrowings is forecast at only £1.6 million by Charter, assuming NMS pays an annual dividend of 32p, the highest level paid by the company in the past 10 years.

"NMS' current annual dividend is 32p a share. Even this level of dividend must be in doubt in view of the results which NMS is reporting."

Charter estimates its offer is more than double Anderson's net asset value at the date of its last published accounts.

Because of the poor immediate outlook for profits and dividends from both Anderson and NMS, Charter believes its offer fully values Anderson.
LONDON - European multinational companies have been blamed for much of Africa's chronic food shortages.

The accusation is made in a book published in Britain which exposes big business companies as cashing in on Africa's agricultural misfortunes with a callous eye on their profits.

It points to the past and present policies of foreign companies in the diversion of much of Africa's food potential to the crop demands of Europe, and of shaping countries' agricultural produce to suit their own needs.

The book, titled 'Agric-business in Africa', was researched by two authors under the auspices of the London-based Earth Resources Research Organisation.

But the criticism is not aimed at big business alone.

The book questions the approach of African governments who have been willing to use the advice and technology offered by the companies, knowing that their demands would be at the expense of their own people.

The companies involved are international household names, including Unilever, Tate and Lyle, Brooke Bond, Nestle, ICI Shell, BP and Hoechst.

Their interests span the whole spectrum of agricultural business as they own plantations, processing plants, shipping companies, agricultural suppliers, management companies, distribution combines, warehouses and retail outlets.

The book shows the enormous potential power the companies have over food production, and their ability to step in at any stage of the product chain.

It analyses the agricultural business of many of Africa's more prosperous countries - excluding South Africa, which it admits is in a league of its own - and gives reasons why Africa is the number one hunger continent.

The authors, Barbara Dinham and Colin Hines, examine the companies which already dominate trade in Africa's traditional crops of coffee, tea, cocoa, palm oil and rubber.

But they point out that the companies are now opening new markets and growing fruit, vegetables, flowers and even "fluffy green foliage for bouquets" to fly to the cash-ready European markets.

It is argued that, in the past, food production has not been profitable enough for big-time agricultural business, but the potential has been seen, and they are now moving into staple food crops like maize and rice.

This has been made possible by low interest loans to African governments, usually in the form of aid.

The book claims that companies sell themselves on the basis of increasing Africa's profits from agriculture and meeting food shortages.

But, in reality, the large-scale, technologically complex and massively expensive schemes which they promote bypass peasant farmers who make up the mass of Africa's population.

It is argued that large schemes inevitably affect the control of the land, and eight out of 10 of the continent's rural labour force is already thought to be landless.

The multinational promoted schemes, it is claimed, profit the companies but do little to improve agricultural self-reliance - and often cost more to maintain than justified by returns.

It is pointed out that sugar schemes are spreading across Africa despite enormous overproduction and low prices. But companies see the potential for producing fuel from sugar in order to reduce costly oil imports.

These schemes have been shown to be a luxury in hunger-stricken countries. One in Kenya had to be abandoned because the fuel to run the plant would cost more than the fuel produced.

The conclusion drawn by the authors is that the interests of "agribusiness" cannot coincide with those of most of the African population.

African governments, it is argued, must build up their own expertise and capacity to assume agricultural developments. Evidence suggests that reliance on agribusiness to generate capital for development has increased dependence on industrialised countries.

African governments will have to realise that it is they who will have to feed Africa in the end, not big business.
Mr Raymond Ackermann

This morning the government announced a 20c increase in the minimum wage. 

"This was an unexpected boost for many workers," Ackermann said. "The increase will help offset the recent rise in the cost of living."

"We are pleased to see that the government has taken action to support workers and ensure their livelihoods are protected, especially in these challenging times."
By James Clarke

Unless South Africa can dismantle its enormous bureaucracy, break up some of its "job-destroying" corporate giants and go flat out to encourage smaller scale private enterprise, it cannot avoid massive unemployment.

"There are at least 800 laws inhibiting private enterprise in South Africa," says Mr Andre Spier of Syncom. His "think tank" organisation is advising Network, The Star's campaign which is seeking practical solutions to South Africa's classic problem areas.

"Economic freedom of the individual is an essential precondition to solving the problem of fewer jobs," he said.

Mr Spier advocates the breaking up of monopolies, especially where these have cornered the markets providing basic commodities such as food, clothing, furniture and houses.

He warns that the cult for big business mergers does not create jobs — it destroys them.

Then, because it becomes more difficult selling goods to a population which has less and less money because of joblessness, the giants begin to invest outside the country.

"This is in fact happening. Going multinational in a saturated economy is defensible but in a sea of local poverty it is a poor show of economic policy and responsibility." Mr Spier, who has for years been involved in South Africa's economic and futures research, urges that every effort be made to encourage small enterprises among all races.

See Page 7 of the Metro section
Hudbay control moves to US firm

By BRENDAN RYAN

CONTROL of Hudson Bay Mining & Smelting Company of Toronto is to be vested in a United States company which is now a 50% subsidiary.

This will follow a reorganization of Hudbay's joint interests with Minerals & Resources Corporation (Minoro).

Minoro, the Bermuda-based foreign arm of the Anglo American Corporation-Del Beers group, will hold 60% of the equity of US-quoted Plateau Holdings which is to acquire Hudbay.

Care has been taken to ensure Plateau will not be seen as a subsidiary of Minoro.

Minoro has agreed to restrict its voting rights in Plateau to below 50% and will elect a minority of the enlarged Plateau board.

Minoro is owned 41% by Anglo American Corporation, 22% by De Beers and 10% by Charter Consolidated.

Plateau Holdings owns Inspiration Consolidated Copper, Terra Chemicals and Inspiration Coal.

Hudbay shareholders other than Minoro (which controls 44% of Hudbay) can exchange their Hudbay common shares for special shares in Hudbay at 1.1 special shares for each Hudbay common share.

As an alternative they may convert directly to Plateau shares at 1.15 Plateau for each Hudbay. The Plateau shares will be listed in the US and the Hudbay special shares in Canada.

Hudbay special shares can be converted to Plateau ordinary shares on a one-for-one basis at any time over the next 10 years after which they will automatically be converted.

COMMENT The latest reshuffle of the United States-Canadian operations of the Anglo American group has a company being taken over by one of its subsidiaries and another, with minimal control over the creature, shying away from it.

AAC, which is sensitive to its North American image, is doing its best to avoid being accused of controlling companies in this area. That move and those before it are part of a build-up of business in North America.

The Hudbay announcement says the deal will enable improved access to capital markets in Canada and the US as well as simplifying corporate and management structures within a single entity.

Minoro watchers say the company is building a large equity base, fulfilling long-term strategy dictated from 44 Main Street with Minoro at a price of R12.75 a share and a dividend yield of 1.5% there are better bargains around - unless the investor sees capital gains to be made from the company's future role in the machinations of the AAC-De Beers empire.
Big squeeze on Consgold

By Neil Behrmann: London CONSOLIDATED Goldfields, the major shareholder of Gold Fields of South Africa, is selling several US industrial operations after a disastrous year.

The London-based mining finance house has been forced to set aside £26-million after the collapse of its Texas-based oil-drill-rig operations.

In the fiscal first half ended December 1982, Consolidated Goldfields earnings fell to £13.3-million compared with £42.7-million a year earlier.

Including “extraordinary provision against possible losses” of Skytop, there was a net loss of £73.1-million.

Rudolf Agnew, Consgold’s chief executive and chairman, admitted that the foray into the oil-drill business had been an expensive mistake.

He said that the group’s North American division, Amcon, bought Skytop early in 1980 for £40-million.

Mr Agnew said that David Lloyd-Jacobi, a previous chairman of Amcon, had recommended the acquisition, but it “was a board decision and we must all share the blame.”

Mr Lloyd-Jacobi was sacked last November and received “substantial” but undisclosed compensation.

Other industrial investments — mainly in the United States — involved in the steel industry were “hard hit” by the recession. Some incurred losses.

“Several executives were critical when we bought industrial companies, saying that we should stick to mining, the business we know best,” said Mr Agnew. “That view now predominates.”

Although Consgold and David Lloyd-Jacobi have been extensively criticized by the City and Press for the investment in Skytop Brewster, they were caught by a sharp turnaround in the oil business.

Amcon bought Skytop Brewster after the oil-price explosion in the late 1970s.

There was an oil-exploration boom in the United States, and Skytop Brewster was making oil and gas drills which could go down further than 9000m.

Profits of Skytop soared during 1980 and also contributed to the group’s profits in 1981. Suddenly, however, there was a dramatic collapse in oil exploration.

At the end of 1981, there were more than 4500 drilling rigs working in the United States. There are now about 2000.

In March 1982 Skytop had a $250-million order book. By June that was zero...
SA retains stranglehold on African economies

NEW YORK — South Africa's flourishing trade with Africa, which the black countries would like to pretend does not exist, points up the harsh realities of a continent struggling to cope with world recession, sagging agricultural production, and severe drought.

Next month nine Southern African countries will mark the third anniversary of a regional effort to break South Africa's stranglehold on their economies.

SUBTERFUGE

But South Africa's economic tentacles reach so far into the hinterland of black Africa that its economic grip has in some respects tightened rather than weakened.

"Made in South Africa" labels may be discreetly removed in black Africa for obvious reasons, but from Zimbabwe to Nigeria tins of canned guava, fresh meat, piles of fresh vegetables, rolls of toilet paper, and an array of household goods make their way to the supermarket shelves from the farms and factories of South Africa.

The subterfuge is sometimes achieved through double invoicing and false certificates of origin.

Despite an African ban on trade with South Africa, some 46 African countries turn to it for goods and services.

To spare their African customers political embarrassment, South Africa does not provide a breakdown of the individual countries with which it trades.

TRADE DOUBLED

But figures for the whole continent show that South Africa's trade with black Africa more than doubled between 1978 and 1980.

Official trade figures published by the South African Commission of Customs and Excise establish the value of exports to Africa at $1.209 million for the first 10 months of 1980.

To some extent Africa finds it has little choice but to trade with a country whose apartheid is anathema to blacks, but whose economic muscle cannot be ignored.

— Christian Science Monitor News Service
Southern Sun still looking at US venture

SOUTHERN Sun is conducting a feasibility study of the $250-million Camelot hotel-casino project at Atlantic City, New Jersey.

The group's managing director, Mr Sol Kerzner, says: "The thing will either go or it won't go come May. If the conditions are met, I think we've got a great scheme."

Mr Kerzner says Southern Sun was approached in Camelot in the middle of last year, and examined the proposals at length before deciding in November to reject the approach.

The first offer was rejected for reasons related to the pitfalls later highlighted in a New York stockbroker's report.

The New York firm, Drexel Burnham Lambert, in a report to clients on Southern Sun's proposed link with American Leisure Corporation (ALC), expressed misgivings about the alliance, pointing to ALC's chequered history.

Mr Kerzner says: "The so-called revelations by Drexel are not new to us — we have been aware of Jacobson's background for some time." (Mr Nate Jacobson, ALC's chairman, was indicted in 1971 by the Securities and Exchange Commission, and the Nevada Gaming Commission later decided to rescind his casino licence in Lake Tahoe. In 1989 he, together with ALC and other partners, were charged with violating Federal securities laws relating to an ALC share offer.)

Mr Kerzner says the proposals first put to Southern Sun were too loose, providing no protection against a repeat performance by ALC and the 'very doubts raised by Drexel rendered the possibility of a partnership with ALC out of the question, and Southern Sun's board turned down the offer in November."

Southern Sun was again approached in January this year, by a different investment broker, who had penned an agreement that took heed of the pitfalls, but provided Southern Sun with an opportunity to participate in the Atlantic City development.

"The bank that came up with the revised deal understood our reasons for withdrawing from the original offer, but they believed the deal could be structured to overcome these problems."

"They set out the reasons for Southern Sun turning the deal down and realised there had to be a way to cope with the problems."

In terms of the new agreement the best ALC will get is a minority stake in a new company, with Southern Sun deciding who will be offered the rest of the minority stake.

Mr Kerzner says: "We have the power to insist on the retention of directors from ALC's board, not to mention control over Sun Resorts. ALC will not be a partner in this venture — they will have a minority stake with no say in the direct management."

If ALC wants representation on Sun Resorts' board its proposed representatives will have to submit to investigations by Southern Sun into their background.

"We will have to be satisfied that these people can never be under question in terms of integrity."

Applications for gaming licences are made only when a casino has been completed, and the New Jersey Gaming Commission is empowered to investigate every proposed manager and employee.

Sun Resorts is the company to be formed to control and manage Camelot, with Southern Sun holding 60% of the equity and the balance split between ALC and other as yet unidentified parties.

Mr Kerzner regards the Drexel report as a feather in Southern Sun's cap. "If you study our agreement with ALC along side the Drexel report you will find there is not one loophole that has not been plugged."

On the question of cost overruns — Drexel's report quotes the Hilton and Golden Nugget groups have announced plans for 600-room, $250-million — Mr Kerzner says there is no obligation to continue with the project if the results of the feasibility study suggest otherwise.

ALC has a history of announcing schemes which have never materialised, and Drexel's report quotes an example of a contractor who confronted ALC with the option of renegotiating a contract or stopping construction and fighting the case in court.

But, says Mr Kerzner, "there is no way we make an announcement when we are not serious about it."

Camelot is a 1,000-room venture, but Mr Kerzner says the schemes are not strictly comparable, as communal facilities, such as the casino, dining rooms and restaurants, absorb a disproportionate slice of the cost.

In response to Drexel's claim that the land for Camelot has been overvalued at $50-million, Mr Kerzner says the price paid is at the lower end of Drexel's estimates.

The brokers have overlooked the fact that the ground comes with permits and approvals, as well as architectural, mechanical and interior designs, and full sets of plans.

The permits alone represent two years of hassle, says Mr Kerzner, and the value "is excellent, and I foresee few changes" — while difficult to assess, is at least $9-million.

"If you consider the holding costs of the ground for two years — a conservative estimate assuming one is starting out fresh on the project — the actual effective cost of the ground is probably about $15-million."

"If Drexel says there are other sites available for between $15-million and $20-million then I think we have got a good deal here."

May is the deadline — Sun Resorts will either embark on an ambitious project, or proposing Southern Sun into the cut-throat world of American gambling, or the whole deal will merely have been a passing fancy.
Kerzner’s happy with Atlantic City

By JOHN MULCAHY

The gambling industry in the US has changed significantly over the past few years, and major corporations may operate casinos in Atlantic City, New Jersey, on a legitimate basis.

This is the view of Mr. Sol Kerzner, managing director of Southern Sun Hotel Holdings, who says investigations undertaken by the New Jersey Gaming Commission are detailed and highly regulated.

Pointing to the investments of the Hilton Group and Resorts International in Atlantic City — "they are both highly reputable organisations" — Mr. Kerzner says he is convinced such high-profile corporations would not be operating in a Mob-controlled environment.

Mr. Kerzner was asked to comment on the existence of organised crime in the Atlantic City area where Southern Sun and SA Breweries propose to develop a $500-million casino-hotel complex.

Reports in recent years have pointed to a bloody battle for control of Atlantic City's underworld, with victims including trade union officials, a judge and the former godfather of the Philadelphia Mafia family, Angelo Bruno.

Bruno's reputed successor in Philadelphia, Philip "Chicken Man" Testa, has a close associate, Nicodemo Scarfo, who has been dubbed "the Mob's cop at the shore" by the Pennsylvania Crime Commission.

Scarfo and his colleagues have featured in police investigations into four murders in Atlantic City since 1976, including that of Judge Edwin Helfant.

Scarfo was in 1981 put on trial for the murder of Vincent Falcone, a cement contractor in Atlantic City, and the state appeared to have an open and shut case, with an eyewitness placing Scarfo and his two partners at the scene of the crime.

However, at the last minute Scarfo's defence produced a policeman who provided an alibi for Scarfo at the time of the killing.

One report, published in Life magazine in 1981, summed up the criminal developments in Atlantic City.

"As far as the Mob is concerned, Atlantic City today is a banquet about to be enjoyed by six operating casinos have won close to $1,000 million since Resorts International opened over two years ago.

"Projections are that by 1989 over 15 million gamblers will pour into the resort every year. By next summer six new casinos are scheduled to open and their presence will generate a payroll of over $500 million for casino employees alone.

"The lure of all this money and development on a town that had only 42,000 permanent residents in 1976 has led every organised crime family on the East Coast to target Atlantic City for infiltration.

"Most have already sent representatives there to explore possibilities for opening legitimate businesses or to wrangle themselves into organised labour or the political system.

"Although there has been no suggestion that the Mob is, or has been, directly involved in casino operations, its efforts have been aimed at driving unionists in the area, as well as peripheral industries, such as garbage disposal, laundry services and cigarette distribution, all lucrative businesses.

Soon after the legalisation of gambling in Atlantic City, New Jersey's Governor Brendan Byrne announced the establishment of the Casino Control Commission as a warning to organised crime to keep out.

However, while Governor Byrne was making tough speeches about Atlantic City's crime-free future, state police investigators were discovering that the chairman of the Casino Control Commission, Joseph Lordi, had close links with the powerful Genovese Mafia family in New York.

Mr. Kerzner says the Gaming Commission must be satisfied with casino-hotel employees as well as those operating in ancillary industries.

The commission can force a company to dismiss employees or accept an arrangement with the Mob that may be suspect. It can also rescind gaming and other licences.

He believes the invitation to consider an investment in Atlantic City was made to Southern Sun because the group has developed a reputation as an operator of quality hotels, resorts and gambling operations.

Conceding that not all operations at Atlantic City will be successful, Mr. Kerzner says 90% of the casinos there are producing extremely good results in spite of the lengthy recession in the US.

"I have full confidence in moving into Atlantic City as I believe we will be able to adapt to the US market place.

"There are many areas that are related, and the strengths we have developed at Sun City will prove beneficial."

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THE END OF THE LINE / 10 Rand Daily Mail, Tuesday, April 5, 1983

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Call to bar SA hotel bid

NEW YORK — The head of the United Nations Special Committee Against Apartheid urged yesterday that authorities in Atlantic City, New Jersey, prevent a South African hotel chain from building a casino complex there.

The Nigerian Ambassador, Mr. Yaouafi Maitama-Sule, issued a statement noting a report that the Southern Sun hotel chain had decided to develop such a complex in the old seaside resort city. He called the report "shocking."

He said the building of "Sun City" in Bophuthatswana by the same investors "bolstered the policy of the racist regime to dispossess the African majority of all its rights and confine it in so-called "independent" states in scattered reserves."

"I urge the authorities concerned," Mr. Maitama-Sule said, "to take firm and urgent action to deny approval of the project. - Sapa-AP"
Coal shares to look for

TEN YEARS ago coal shares were rated by investors in much the same way as fixed-interest stocks.

Since then the development of Richards Bay following the energy crisis of the early Seventies has changed all that thoroughly.

Coal shares have become the most highly rated of SA's primary product producers.

Recently, however, the news has not been good. An oil glut, falling demand in the depressed economies of the West and less-than-expected demand from such major SA customers as the UK. This is also the case in the US, unlike SA, where this expense is not allowable. So it made sense for PG to borrow overseas funds.

Even more to the point, at the time of the Doulton purchase it would have had to export funds from SA through the financial result - this leaving them with the cost of the deal.

With the abolition of the financial result in February, that obligation has been removed.

But Mr Scott points out, too, that by financing its UK purchases in sterling PG avoided the dangers of exchange rate changes.

For Mr Scott the main question to be settled is do you believe in geographic diversification rather than moving into businesses which you may not know much about?

That idea seems to be an important one, too, in the plans that SA Breweries has in mind, such as the $250-million, $300-million-cash loan that Southern Sun is investigating.

As things stand, significant buoy abroad require increasing gashing to the full extent of the money involved.

Some companies have been allowed to export funds from SA. For example, fairly junior units needed by Broman for takeovers in the US of Salton Corp and a small business in Israel, got Reserve Bank approval for export of the money.

In that case not only were the amounts small, but it seems likely that Broman was able to argue that these developments might lead to the creation of new jobs.

For many SA businessmen, being a successful conglomerate has already proved beyond the capacity of most management. The new line is rather growing by doing what you do well somewhere else.

If it catches on and I believe it will - the next five years will see a new brand of SA management one with a worldwide view of investment.
SA set for diplomatic links with Comores

By DON MARSHALL
Pretoria Bureau

A NEW tropical holiday playground is to be developed in the Comores using South African financial and technical assistance as a forerunner to Pretoria establishing diplomatic ties with the Indian Ocean islands' government in Moroni.

The islands are of considerable strategic importance to South Africa - politically, economically, and from the point of view of defence.

In order to foster better relations with the government of Mr. Ahmed Abdallah, South Africa is prepared to:

- Open a direct air link between Jan Smuts and the Comores capital.
- Organise an agricultural development scheme using South African farming experts.
- Launch a crash housing and school-building scheme in the islands.
- Organise a R25-million loan from the Industrial Development Corporation to enable the islands' tourist industry to get off the ground.
- There is also talk of South Africa sending experts to help the Comorians establish their own fishing industry.
- South African Government officials have worked carefully during the past eight years to develop closer ties with the Comorian people.

Mr. Ahmed Abdallah was reinstated as leader in a coup in 1978 after having been deposed in 1976 by a Left-wing group.

France and South Africa have been blamed for the coup, but this has been denied in Pretoria.

Relations between South Africa and the Comores Islands Republic have since developed excellently.

A Government source yesterday praised Mr. Abdallah's government for what he called "being the first" of several African countries to have the courage to advertise their links with South Africa.

"We have similar relations with several other African countries and at least some of them are expected to follow the Comores' example in the near future," the Pretoria source said.

Visits last year by more than 50 000 businessmen from black Africa were evidence of South Africa's growing ties with Africa, the source said.

Mr. Abdallah, through his Muslim faith, has strong connections with the Middle East, notably Kuwait and Oman, and this in itself would be sufficient to stir Pretoria's interest.

Developments in the Indian Ocean islands will have important ramifications for the security of both the Indian Ocean region and Southern Africa.
Remgro buys Cartier

by Elizabeth Rouse

The Rembrandt Group is getting "classier and classier", adding luxury product holdings to its investment portfolio.

The latest is Cartier, the famous 136-year-old Paris jewellery firm now Luxembourg-based.

Rothmans International PLC, in which Remgro has a 22% stake with US tobacco group Philip Morris also holding 22%, is paying $40 million for a 29% interest in Cartier.

With sales of $4.5 billion last year, Rothmans has the financial muscle to help Cartier, which chalks up annual sales of around $255 million, expand its product line.

Besides jewellery, the Cartier name can be found on watches, lighters, pens, handbags, and other luxury items.
Camelot’s Kerzners Threaten Not Only Anti-apartheid Rhetoric
Charter sells its stake in RTZ

BY NEIL BEHRMANN

LONDON — Charter Consolidated has sold its 4% stake or 910,000 shares in Rio Tinto Zinc for £51-million (RTZ: £57-million).

The company says that the after tax proceeds of £35 450 000 (RTZ: £36 million) will be used to reduce borrowings and finance investments in Charter's subsidiaries.

Charter's dividend from RTZ was £2 330 000 (RTZ: £2 090 000) in the year to March 31, but against this loss of income the group will be able to reduce interest on borrowings and use the capital to buy companies such as Anderson Strathclyde.

The sale took a matter of hours and the shares were placed at 560p a share, a discount of more than 50p on RTZ's market price.

Charter has held shares in RTZ since the mid sixties. It reduced its initial holding in RTZ by 16-million shares, valued at £18 300 000 (RTZ: £20 600 000) early in 1976.

In 1989, Charter sold its holding in a selection trust following the BP bid mining finance investments, although still substantial are now mainly in the ambit of Mineral and Resources Corporation (Mincorco).

In the six months ended March, Charter's net attributable profits amounted to £15-million (RTZ: £17-million), equal to 15.2p a share, against an adjusted £21-million (RTZ 700 000) last year.
From Sun City to Sin City

SOL KERZNER, meet Nicodemo “Little Nicky” Scarfo and Philip “Crazy Phil” Leonetti and Lawrence “Yogi” Merlino and the Lucchese, Colombo, Genovese, Gambino and Bruno boys.

Your new neighbors, you might say. Colonel John Denton, New Jersey’s top trumped crime investigator, fears Atlantic City becoming a Mafia “open city” as the casino owners capitalize on the mob’s lament.

A state enquiry commission has accused the casinos of “swamping” submissions to “slothful criminal elements,” defrauding them of millions of dollars.

The slot machines may jangle as merrily as Atlantic City is assuredly not Sun City any anti-sloath police is not the only threat to Kerzner’s Camelot.

Gambling is nothing new to this disgraced “queen of resorts.” Moose heyday was the turn of the century when high society paraded under parasols along the beachfront boardwalk.

Al Jolson was a lugubrious here and Frank Sinatra sang here 44 years ago.

The mob also has six memorials. Al Capone and Lucky Luciano held their “conventions” here and some citizens still fondly recall Enos “Nicky” Johnson, the town’s Mathis political boss of the Forties, who would pool off hundred dollar bills for street bums.

The hangout’s nature is this gambling as illegal. Five years ago, Atlantic City was the unmarked, unimposing, territory of the Angelo Bruno mob.

Then came the big break and the injection of $262 million in private capital, to render the once hard sob of the Mecca of Vice.

A gigantic blast blew away Don Angelo, and Bruno’s successor was blown up by a bomb. Seen there was Nobody left, but a minor mob soldier named Scarfo, who had been called here for securing the disposal of the Italian honors.

Picture it now, just 260km to the north and more than 59 million dollars a year turning south.

They rang from high rollers waiting to wager $260,000 on one throw of the dice to 200,000 handasts of craps, each dropping an average of $20 in and must not call in the case of craps, stretch the length of two rugby fields.

Little Nicky Scarfo is “a throwback to the Al Capone days,” says Denton, one of many lawyers stenciling to keep the mobsters out. “Ron Scarfo, people operate with complete disregard of law enforcement.”

A messy murder seemed to prove the point before Little Nicky was charged with a weapon possession charge. But by then the mob had been dealt a death and declared Atlantic City open range — a kind of free-trade zone, a slave official called it.

The Mafia moved into Las Vegas from the top by controlling the main entrance. New Jersey averted then, but the mobsters were using the back door of the service entrance.

“We headed them off,” says Denton. “Now labor racketeering is their way in.”

He explains that the mummies promise peace for money. There are nine casinos operating and a 10th is being constructed.

“Not a lot of money in the construction. They have to meet standards, they have to build a 500-room hotel that costs something,” 700 million.

Once the casinos are up, they average half a million a day. Interest rates are high to pay off what they borrowed to put the place up.

They can’t afford to play up. If organized crime controls the unions, they have to hammer.

“Put yourself in the casino’s position. Would you do business with the knucklehead guys who don’t have the money to do business?”

A hundred thousand a month? A good business arrangement.

A random sample of casino records found the names of 25 mobsters who had obtained 2.3 million in casino credit last year. It’s up to the state to do something about the new crime wave.

It’s not the only crime wave.

A single Gambino associate got $200,000 from the Sands, Nugget, Caesars, Playboy and Harrs.

Evan Scarfo, who does petty, is among them. They meet in the lobby, received 200,000 in rooms and dinner.

Then there is the curious example of Joseph Pecrella, convicted in connection with the shooting of a Scarfo associate and found to have deposited $20,000 at one casino resort, in a manner that causes questions about the casino’s usefulness as laundering for hot money.

The enquiry commission rated a staggering increase in casino credit last year, to $100 million, or about 30% of what was wagered at the tables.

SOL KERZNER … moving into Atlantic City

RICHARD WALKER

reports from New York

It also observed that more than $25 million was written off as bad debt.

Southern Sun wins the scene at an awkward moment.

Atlantic City residents, almost 65% black and Hispanic, have been largely excluded from the风景区-million pay bonanzas by the commuting casino workers.

The resident population has dropped by a third to 60,000 since the Sixties, while mayor crane has soared 171% and the tax base has decayed town centre is down 20% since the casinos came.

There is not one supermarket, and the only cinema shows porno movies.

“Gamblers don’t shop,” an ex-ditor reflected. “There’s no Atlantic City. This is a jungle,” an 82-year-old survivor of the para-

sol days decried.

“The whores come right up to our parch,” the rector of St James Episcopal church complained.

Now a fellow episcopal rector is batting the butterflies and squinting at it on Kerzner and has Camelot.

The Rev Bp Marmola, a South African who is a surprise — an Atlantic City parish, clams mass opposition to the Southern Sun project, says he fears the all-

marginal dollar” and the power of Kerzner money in this dem of thieves.

Marmola is particularly wary of the construction houses, one of whom has praised that “my guys need” the Camelot work.

He pins his hopes on the Casino Control Commission denying the application for a license rather than on the city council.

In Patrick 7 MECC, there is a very powerful lawyer who has worked wonders for casino interests through his council connections.

Adventure is certainly guaranteed. The Camelot sit is in the marina area to the north, a rough sector of gutted buildings and vacant lots, but with the lure of easy access and plenty of parking spaces.

Harras’s is the only casino there now.

There is also the uncertainty of the project partner, American Leisure Corporation, whose president’s business ethics have been called into question over past activities in Las Vegas.

Other relationships offer other uncertainties.

Bosses of the Hilltops Union, for example, include or have included Scarfo’s cronies, a convicted murderer and a man accused of ordering the deaths of a limousine driver and a man by a gunman posing as a flower deliveryman. The flowers were poisonous.

The casino operators have long brazened it.

A very last minute awarded Scarfo’s lawyer Roy 15 million in damages for the indignity of being bounced from the Golden Nugget.

But money there is Mount of it.

Harras’s, the Camelot’s future neighbor, reported a pre-tax profit of $262 million for 1985, and though three of the casinos had a combined net loss of $81 million, the other ten cleared a profit of none $100 million.

It’s just another wild word about the bad guys. “They’ve been investigating us for five years and they haven’t come up with anything. We are law-abiding people,” Merlino, who has an acquittal for murder and helped fend family affairs while Scarfo served his sentence.

You get any idea how many different kinds of police are watching us?” State police, local police, FBI you’re eight of them. I think.

You get any idea how much money they make on us just in overtime?”
Sun's R4,5-m for Mauritian facelift

By Elizabeth Rouse

MAURITIAN Southern Sun Hotels, in which the South African hotel group has a 17% holding, plans to spend R4,5-million on expansions to and refurbishing of its three hotels.

Mauritian Southern Sun recently bought the Touessrok and La Piroque hotels on the east and west coasts of the island for around R10-million.

The well-known Saint Geran will be refurbished and facilities like the casino and discotheque improved.

The Touessrok, some kilometres down the shoreline from the Saint Geran, will be an upmarket resort. Fifty bedrooms will be added to the 180-room hotel complex.

La Piroque, set in a landscaped garden of 18.2ha on the western shore of the island, is the ideal family hotel, with a 600m beach and full facilities for land and water sports.

This hotel's public areas, set in the centre of 260 twin-bedded air-conditioned cottages, will be refurbished, as will its casino.

Paul Jones, who has been general manager of the Saint Geran for the past seven years and has taken over management of all three hotels, tells Business Times that the group is now in a position to be highly competitive in the international tourist market.

Southern Sun Hotels now controls more than 500 rooms on the island and can cater for all pockets and all tastes in island vacations.

Mr Jones says the acquisition of two hotels was a logical step for Southern Sun. It places the group in a stronger position too much fragmentation of the market, led to the recent unprecedented price war.

South Africa ranks second among Mauritius's tourist-generating countries, providing more than 20% of its annual visitors.

The Mauritian Association of Hoteliers and Restauranters, of which Mr Jones is president, has launched a campaign in Europe and the UK to promote the island's unique facilities.

The temporary loss of the French tourist trade – individuals have a pathetically small foreign-exchange allowance this year – could well be countered by drawing tourist trade from the Caribbean, where tourism has slumped because of political unrest, and from the Seychelles.

Mr Jones believes that the South African market has not been fully tapped, hence the high-powered promotion staged by a 25-man-and-woman team from the Saint Geran in Johannesburg, Cape Town and Durban from April 19 to the end of this week.

The promotion has been well received by travel agents who now have fresh incentive to market Southern Sun's various holiday packages at its hotels.

The promotion tour marked the end of the "undercutting" battle between Southern Sun and the retail travel industry.
P’n P expands, modernises all this, Aussie too

By Don Robertson

A MAJOR expansion and five-year modernisation programme, together with the planned entry into the Australian market, are the exciting developments in the Pick’n Pay group which should” satisfy shareholders and justify its present high rating”.

In a most informative and well-illustrated report for the year to February last, chairman Raymond Ackerman spells out the group’s future plans, although his projections are tempered by general uncertainty.

In his report, which celebrates a record turnover of R1 235-million, Mr Ackerman announces plans to open a new hypermarket in Pretoria and four new supermarkets in other centres.

In addition, a five-year, R15-million programme aimed at upgrading design and fittings at all the stores will be undertaken.

The problems associated with the opening of a hypermarket in Australia have now been overcome, and the first store is expected to be opened in Brisbane by the end of 1984.

Referring to operations last year, Mr Ackerman says that operating costs increased considerably, but the profit margin was nevertheless held at 3,53% of sales compared with 3,61% previously.

This produced attributable profits of R27,5-million compared with R25,3-million, for earnings of 14c against 15c.

The total dividend was raised 24% to 61c from 49c.

The balance sheet was further strengthened, with total assets rising to R364-million from R212-million, while cash balances rose sharply to R35-million from R24,6-million.

Wearing his economist’s cap, Mr Ackerman, says that, although the country is a whole was still in a recession, “I believe that a recovery is possible before the end of 1984”.

He concedes, however, that the economy is far from buoyant at present.
SAB to put millions into juice venture

By Alec Hogg
Assistant Financial Editor

SA Breweries is on the verge of investing between $10 and $20 million on establishing its fruit juices, Appletizer and Liquifruit, in the US and in Britain.

Group managing director, Mr Dick Goss, told The Star yesterday that SAB has conducted an intensive market research project in Britain and is "looking towards investment in North America in the near future."

This would fulfill a forecast made to The Star in November last year when, discussing the group's interim results, Mr Goss said SAB might soon make overseas investments in the hotel and beverage divisions.

Most observers mistook the "beverage" side of the statement to mean the acquisition of a brewery.

"This will prove that when we say beverages we do not necessarily mean beer," Mr Goss said yesterday.

The preliminary results of the group to end-March, released yesterday, show that the non-beer beverage division is growing in stature.

Group financial director Mr Selwyn MacFarlane told The Star that roughly R21 million of the attributable income came from this source in the past year — equivalent to 10.6 percent of the group's total.

Despite this healthy support, beer remained the group's stabilising influence in the year.

Volume of beer sales rose by nine percent for the 12 months as a whole, although Mr Goss said this growth declined in the second half. Growth for the first six months was 11 percent.

This growth helped improve the contribution to earnings a share from the beverage interests by 11 percent from 41.2c to 45.8c.

This offset the decline from 88.2c to 52.2c a share from "diversified" interests which include OK Bazaars, Southern Sun, Amrel and Afcol.

Together these accounted for the four percent increase in group earnings in the year to end-March.

Looking ahead, Mr Goss was not confident the target of maintained earnings would be met, particularly in the light of recent economic developments.

"We started to feel a sharp drop in private consumption expenditure from November last year and, if anything, the extent of the decline is still accelerating," he said.

This does not augur well for the group's non-beverage interests.

"I believe we will continue to have growth in the sales of beer but not at the same rate as in 1982/83 — it could well be half that figure at about 4.5 percent," Mr Goss said.

Another interesting announcement, coinciding with the release of the preliminary figures, is the resignation of Edgars chief executive, Mr Adrian Belamy.

Mr Goss said "I can assure you it is with great regret that we see Adrian go. He has become part of the team and fitted in well with the group's philosophy.

"He discussed his reasons for leaving with me a few weeks ago and his decision to accept an offer he received from abroad is entirely personal."

On the appointment of OK Bazaars chief executive Mr Meyer Kahn to the post of deputy managing director of the group, Mr Goss said "There has not been enough contact between head office and the work force.

"With Meyer here we should be able achieve a better working relationship with the individual chief executives within the group."
Southern Sun in the city of sin

Richard Walker

The Mafia moved into Las Vegas from the top by controlling the casinos. New Jersey averted this by having the mobsters close the back door — the service entrance. We headed them off," said Dentino, "now labour racketeering is their way in.

His explanation should send a shiver through many a S.A. Breweries shareholder. The unions promise peace for money. There are nine casinos operating and a tenth being constructed. There's a lot of money in the construction.

They have to meet standards, they have to develop a 500-room hotel that costs something like 600 million dollars.

Once the casino is up they average half a million a day. Interest rates and mortgage payments. All they need is peace for money.

"Put yourself in the casino's position. What's it worth to know you won't have labour problems? A hundred thousand a year. A hundred thousand a month. It might be a good business arrangement.'

A random sample of casino records found the names of 25 mobsters who had obtained R12 million in casino credit last year. If they catered to everything, including gambling chips. A single Gambino associate made R220 000 from the Sands Nugget Caesar's, Playboy and Harrah's even Scarfo, who is not a gambler, lived a block away, received R3 000 in rooms and dinners.

The enquiry commission cited a staggering increase in casino credit last year, to R1 500 million, or about 50 percent of what was wagered at the tables. It also observed that more than R850 million was written off as bad debt.

Southern Sun arrives on the scene at an awkward time. Atlantic City residents, almost 60 percent black and Hispanic, have been long excluded from the US$50 million pay bonanza enjoyed by the gambling casino workers. The population has dropped by a third to 40 000 since the '80s, while the major criminal has soared to 171 percent and business in the decayed town centre is down 20 percent since the casinos came. There is not one supermarket and the only cinema shows porno movies. "Gamblers don't shop," one old-timer reflected.

"There ain't no Atlantic City, this is a jungle, an 82-year-old survivor of the beachfront days says. "The wolves come right up to our porch," the rector of St James Episcopal church complained.

A fellow episcopal rector is bottling the bitterness and squirming it on Kerzner and his Camelot. "The Rev Sipo Mzembe, a South African with surprise, surprise, an Atlantic City parish, now says mass opposition to the Southern Sun project, but says he fears the 'ugly dollar' and the power of Kerzner money in this den of thieves. Mzembe is particularly wary of the construction bosses, one of whom has stressed that his guys need the Camelot work. He puns on his hopes on the Casino Control Commission denying the Camelot a licence rather than on the city council. In Kerzner, Kerzner has a very powerful lawyer who has worked wonders for casino interests through local council connections.

"The casino operators must tread gingerly. A jury last month acquitted a lawyer of R1 25 million in damages for the indignity of being bounced from the Golden Nugget. One in eight Mounds of it Harrah's, the Camelot's future neighbour. Mounds was a profit of R342 million for 1982 and though three of the casinos had a combined profit of R60 million the other six cleared a profit of over R120 million.

Your new neighbours.

Colonel Justin Dentino, New York's top organised crime investigator, said: "Atlantic City became a Mafia open city as the casino owners capitulate to the mob families. A state enquiry commission has accused the Mob of "farming" criminals to notorious criminal elements by catapulting them into million-dollar deals.

The slot-machines may look as glitzy but Atlantic City is assuredly not Sun City and anti-Mafia rhetoric is not the only threat to Kerzner's Camelot. Gambling is nothing new to the dilapidated queen of resorts whose heyday was the turn of the century when high society paraded under parasols along the beachfront boardwalk. Atlantic City was a lifeguard here and Frank Sinatra sang here 44 years ago.

The mob also has its muscle in town, and Lucky Luciano had his conventions here and some citizens still fondly recall "Nucky" Johnson, the town's Mafia-ified political boss of the 40s who would peel off hundred-dollar bills for street bums.
SA FIRMS TOLD TO PREPARE FOR AMERICAN IMPROVEMENT

Business Times Reporter
SOUTH African entrepreneurs and companies should prepare themselves now so that they can exploit the expected improvement in the United States economy later this year.

So says Global Broking Services managing director Michael Sifris, back from a fact-finding visit to North America on behalf of local clients.

"There are now many signs of a definite improvement in business conditions in the United States, and we are experiencing a growing interest from South African businessmen in positioning themselves to take advantage of this," says Mr. Sifris.

"In many cases South Africans are taking a protective position by setting up American subsidiaries and tackling the necessary immigration procedures so that they can get work permits in the United States.

"One of the most positive signs is that establishing an American base no longer just reflects a desire for a possible future alternative to operating in South Africa."

"The chicken run mentality is being replaced by an awareness that a company or individual who has succeeded in the very tough South African business environment stands a good chance of broadening into an international operation."

To meet this new pattern of demand, Global Broking Services now has associates in New York, Los Angeles, Texas and Miami, broadening the geographical area it covers because there are growing to be specific advantages to some of its South African clients in establishing themselves in various states and not automatically in New York.

"While, in general, South Africans should form a subsidiary in the state where their principal business will be conducted, there may be additional advantages and privileges from incorporating in another state," says Mr. Sifris.

"Some of the factors involved are fees and taxes, the residence of directors, convenience of operation, ease of making corporate changes, requirements on the issuing of shares, power to declare dividends, etc."

"Delaware, for example, has extremely liberal company laws, but each case must be considered on its merits."

"The American corporation and immigration legislation is very complex, and expert professional advice is essential."

"Nevertheless, incorporating a subsidiary in the United States and obtaining work and residential permits is not expensive now — in most cases less than R5 000 for the total package."

From the many inquiries Global Broking Services is receiving, Mr. Sifris discerns a growing confidence among South African businessmen, especially the independent entrepreneur, that they can do well overseas.

"For too long we have tended to view the Americans as being much slicker and more competent in business," he says.

"But anyone who succeeds in our smaller and very competitive market could well leave the flour and product or services to do well in the much bigger and, in some ways, easier American business environment."

"A significant number of South African businessmen have already done well in the US, and more will follow, especially now that inflation and interest rates are coming down."
Phibro boosts Minoro

By NEIL BEHRMANN
LONDON — A dramatic increase in the share price of Phibro-Salomon, the giant commodity and securities trading house, has boosted net assets of Minerals & Resources Corporation.

Shares of Phibro have soared from a low of $20.13 to $73 in the past year.

London broker Scott Goff Hancock estimates that Phibro-Salomon’s two autonomous subsidiaries, Phibro-Brothers and Salomon Brothers, operate on a worldwide basis.

Phibro-Salomon markets precious metals, crude oil and oil products, minerals and metals to the ferrous and non-ferrous industries, fertilizers, petrochemicals, agricultural products and other raw materials.

Salomon Brothers is in investment banking and market making. It serves corporations, state and local governments, sovereign and provincial governments, supranational organisations, central banks and other financial institutions.

The latest annual report of this mammoth company, in which Minoro has a 28% interest, lists its assets at nearly £400 million.

Total revenue in the year to December 1982 was £26.7 billion.

Helped along by the dramatic rise in Phibro’s fortunes, Minoro’s shares have appreciated.

Even though the dividend yield on 1983 projected earnings is less than 2%, a share of Scott Goff recommends Minoro. It believes the company’s exposure to the international oil and financial markets, as well as metal mining and trading markets in North America, will sustain investment demand for the shares.

“Minoro has now been clearly established as the North American arm of the Anglo American group and will continue to benefit from future reorganisations — particularly if exchange control is relaxed in South Africa.”

A large proportion of this expansion will take place through a 50%-held associate company, Plateau Holdings, which may be listed on the New York Stock Exchange in July.

Plateau will control Hudson Bay Mining’s oil, coal and copper interests.
Kerzner jets out to save R270m US casino project

By JOHN MULCAHY
SOUTHERN Sun Hotels managing director Mr Sol Kerzner has flown to the United States to try to salvage the group's proposed investment in a R270-million casino/hotel complex at Atlantic City, New Jersey.

Two months ago, Southern Sun tied up an agreement with American Leisure Corporation (ALC) to buy for R250-million the land for the Camelot complex, as well as various associated licences and permission.

The deadline for finalising the agreement was early May, and it has now been established that not all of the pre-conditions have been met, and the agreement with ALC has lapsed.

ALC owns the land on which the proposed 1,000-room hotel is to be built, and it also has detailed architects' plans for the complex, as well as various licences.

Mr Kerzner is renegotiating some aspects of the original agreement with ALC, in the hope of arriving at a deal that will allow the project to go ahead.

Southern Sun's chairman, Mr Dick Goss, said yesterday that while in the United States, Mr Kerzner would also assess the depth of opposition to the Camelot venture by anti-South African groups, and attempts to "put our side of the story".

"Opposition to Southern Sun's planned entry into the US hotel and gambling industry was aired in the United Nations General Assembly last month, when the UN Apartheid Committee's chairman, Mr Yusuf Motala-Sule, issued a statement urging "firm and urgent action" to scupper the scheme.

The mayor of Atlantic City and the city council have now voiced their opposition.

Mr Goss said yesterday a feasibility study into the Camelot project was still going on, and indications were that, from a financial viewpoint, the scheme would be profitable.

At this stage, all efforts would be concentrated on trying to reach agreement on the Camelot project, although other options at Atlantic City would be considered if they were offered.

Mr Goss said he could not comment further at this stage because negotiations were at a delicate stage.

It is not clear which of the conditions for the agreement were not met, or whether ALC reneged on its side of the deal. But at the time of the initial announcement in March, Southern Sun said the conditions included the acquisition of various licences and the raising of finance.
Life insurers would face problems to invest abroad

By Duncan Collings

The trend towards less stringent foreign exchange regulations has raised expectations that South African institutions will soon be allowed to invest more funds overseas.

Reserve Bank officials themselves have recently hinted at this course following the highly-acclaimed relaxation of foreign exchange controls on non-residents earlier this year.

Embarrassing riches

The life insurance industry is one likely to benefit from any such relaxation.

The industry attracted funds for investment of nearly R13 million every working day in 1982 and is finding it increasingly hard to find suitable homes for this embarrassment of riches.

It recognises its obligation to invest within the South African infrastructure where possible, but also has a commitment to ensure the best return for policyholders.

Investment in South Africa does not always offer this,

But the easing of restrictions on offshore investments is not likely to see a flood of funds moving out of the country unless the rules and regulations governing the industry are changed at the same time.

Small proportion

Mr John van der Linde, general manager of Commercial Union Assurance, says that in terms of the Insurance Act local companies must hold assets in South Africa sufficient to cover their liabilities and "all our policies are written in rand.

Because of this, only a relatively small proportion of total assets would be available for investment overseas.

Industry sources estimate that five to 10 percent of total assets could be freed for investment offshore. The industry's total book value assets at end-1982 were about R18 800 million, which means that R900 to R1 800 million could find a home overseas.

But investing overseas would require levels of expertise not generally found locally and some feel the industry should "look carefully before it leaps" into international investment.

Life insurers, apart from the stock market and prescribed government stocks, have generally favoured commercial property for investment.

Such investment overseas would offer no benefit over what is available in South Africa, they say.

Speculation in currencies has equally limited because of the high expertise required. And the need to act swiftly — sometimes on an hour-by-hour basis — goes against the grain for an industry that has always looked for long-term growth investments.

This leaves among traditional investment mediums the commodity markets and overseas stock exchanges or government bonds.

Expertise needed

To invest in any of these, says Mr van der Linde, the industry would need the services of local experts.

If this were to happen the insurance companies with strong overseas connections or parentage would be in a better position than the purely South African companies.

As the South African companies — Old Mutual and Liberty for instance — control by far the biggest slice of the market and have the greatest sums available for investment, Mr van der Linde does not foresee a scramble to take advantage of any relaxation.

Rather it is expected that any trend towards overseas investment would be a slow but steady one as expertise builds up.

This applies particularly while the world recession continues.

Worldwide spread

But if, as expected, the major industrialised countries start to recover this year, overseas investments could become more attractive and offshore investment more tempting to life insurers.

Mr van der Linde says that, all other factors being equal, insurers would look for a geographic spread of investments worldwide and does not see any single market being favoured.

But traditional "home" markets such as Britain and the US would be natural first options.
Southern Sun drops casino venture

Financial Reporter
SOUTHERN SUN'S R270-million casino/hotel complex plans at Atlantic City, New Jersey, are off. The group is not now moving into the US — or at least not for the time being. Southern Sun said yesterday that negotiations with American Leisure Corporation (ALC) announced earlier this year, had been terminated.

Three months ago the group made a provisional agreement with ALC to buy for R28-million the land for the "Camelot" complex and for various licenses and permissions. Last month, however, Mr Dick Goss, the chairman of Southern Sun, announced that provisional agreement with ALC had not been finalised and had lapsed.

He said, however, that Southern Sun and ALC were still talking. Mr Sol Kerzner, the managing director of Southern Sun, flew to the US to see if the venture could be salvaged. Last night, however, Mr Goss said. "Despite serious efforts agreement could not be reached, and negotiations have accordingly been terminated."

The Southern Sun plan ran into heavy opposition from anti-apartheid groups. Their supporters included the Mayor of New Jersey and a majority of the City Council.
Protest rally in US to go on

Jubilation at end to Sol’s casino project

By RICHARD WALKER

NEW YORK — An Atlantic City protest rally will go ahead as planned on Sunday — transformed into a celebration by Southern Sun’s decision to pull out of the R325-million Camelot Casino project.

Licensing difficulties were at the heart of the decision, a spokesman for American Leisure Industries indicated.

He declined to give details but said he believed "some restructuring" within SA Breweries, Southern Sun's parent company, had made it unlikely a gambling licence would be granted by New Jersey state.

American Leisure will now seek another partner to develop the Brigantine Boulevard site.

Anti-apartheid activists quickly proclaimed a victory and claimed credit for repelling Southern Sun's attempts to establish an American beachhead in the nation's East Coast gambling mecca.

Atlantic City Council was to meet next Wednesday to bear Southern Sun officials put their case before voting on a resolution calling on the state's casino gambling commission to deny the Camelot a licence.

But already opposition had been registered in other New Jersey cities and Atlantic City Council president Mr Henry Tyner had written to all 30 New Jersey senators asking them to back a resolution asking the state to refuse any South African business investment into Atlantic City.

The fight against Southern Sun had reached "national proportions", Mr Tyner said this week.

Aides to Atlantic City Mayor Mr Michael Matthews warned that even if the licence were granted, the campaign against the Camelot would be maintained, if necessary even after it opened.

This week the Philadelphia Enquirer, the largest newspaper in the region, ran an editorial that seized strongly against letting in Southern Sun.

"This is a victory, but we do not intend to let down our guard," said Mr Jonathan Daves, an aide to the mayor and key figure in the campaign against Southern Sun.

"We will be watching for any other move from them, maybe disguised in some way or using some front company.

Mr Daves predicted that the outcome would bolster the withdrawal of the investment campaign, under which many states are considering Bills to stop the investment of public funds in companies active in South Africa.

The weekend rally had been planned for months as a climax to the drive against Southern Sun, which has politically activated Atlantic City's large but previously dormant black community.

Participants will include the African National Congress, which was quick to exploit the issue, and various state and national civic and church figures.

The Camelot project was in trouble from the start, when Wall Street analysts questioned its viability and the record of cash-short American Leisure.
Southern Sun will continue to foray in U.S.

By Don Robertson

FAILURE to reach agreement on the development of a casino complex in Atlantic City will not hinder Southern Sun's expansion plans in America.

Negotiations between Southern Sun and American Leisure Corporation for the development of a R320-million project were called off this week after three months of cut-and-thrust discussion which at times had political undertones.

American Leisure has officially stated that the reason for the collapse of the negotiations was because of pressure from anti-apartheid groups, including the Atlantic City Council, and extending as far as the United Nations. Had this been the case, it would almost certainly have halted any plans Southern had for further expansion in America.

However, Southern Sun's director of planning, Eugene Joannides, describes this statement as "totally incorrect", although he refuses to give exact details of why the project failed.

A full statement is expected when Southern Sun's managing director, Sol Kerzner, returns from an overseas visit this week.

Mr Joannides concedes that there was some pressure from anti-apartheid groups, but says that this could have been overcome with "improved public relations".

A group from the state agency, which issues the essential gambling licences, visited South Africa recently for an on-the-spot assessment of Southern's standing, and, says Mr Joannides, their report was favourable. A second team was due to make a follow-up visit.

An encouraging factor, says Mr Joannides, was that the full financial package, amounting to R180-million, excluding equity capital, had been successfully raised, confirming Southern's credibility. This facility has now been cancelled.

These factors have prompted Southern actively to seek other investment opportunities in America, because "It is a good market to be in".
Top men didn't block US probe, says SAB

By JOHN MULCAHY

SOUTH AFRICAN BREWERIES
denied yesterday that any of its di-
rectors had been approached by the
New Jersey State Gaming Commis-
sion regarding investigations for a
licence to establish a casino in
Atlantic City.

An SAB spokesman was reacting to a
Sunday newspaper report which
claimed that the Southern Sun plan to
develop a $270 million casino/hotel
complex at the American resort city fell
through because of the refusal by some
SAB directors to submit to investiga-
tions into their backgrounds.

He said negotiations were terminated
for a number of reasons.

Agreement with the American Leis-
ure Corporation (ALC) which owns the
land, plans and various licences and
agreements at Atlantic City, was depen-
dent on various conditions and the point
arrived where it was clear that some of
these conditions would not be met.

"There were a lot of complexities, and
at the end of the day we realised we
were not going to get anywhere with
ALC," the spokesman said.

During the recent visit by a team
from the New Jersey Gaming Commis-
sion, led by Mr Tom O'Brien, it was
understood that the directors of Sout-
thern Sun would be investigated, but
there had been no mention of an investi-
gation into the affairs of SAB directors,
or than those who were also on the Sou-
thern Sun board.

The Southern Sun spokesman also ex-
pressed surprise that Mr O'Brien had
confirmed the allegations made by Mr
Nate Jacobson, of ALC, because as far
as the hotel group was aware the com-
mission had not finished its investiga-
tions or reached the stage of prepar-
ing a report.

The Sunday report claimed problems
developed when new SAB directors, ap-
pointed after the recent deal which gave
the Premier Group 34% of SAB, refused
to submit to investigation.

But the SAB spokesman said that as of
yesterday the composition of the SAB
board was no different to what it was
before the Premier deal.

The only envisaged change was the
appointment of Mr Tony Bloom as a
director, and he had not yet formally
been appointed.

The SAB directors who are also on
the SAB board are Mr Jack Gool, Mr
Schuyn MacFarlane and Mr Sol
Kerzner.

Mr Kerzner, who has headed negotia-
tions for the Atlantic City venture, is in
Mauritius and is expected to elaborate
on the scheme when he returns to South
Africa tomorrow.
Southern Sun still looking at US

By JOHN MULCAHY

The United States is an area that ought to have potential for Southern Sun's international development and the group will continue to look at opportunities.

Mr Sol Kerzner, managing director of Southern Sun, was commenting yesterday on the collapse of negotiations on the Atlantic City development.

He said the size of the abortive Camelot hotel-casino project was such that had negotiations been successful the group's resources would have been concentrated on Atlantic City at least until the complex was operational.

Because of this any proposals made in the five months of the Atlantic City discussions had been put aside.

Mr Kerzner clarified the events leading up to the decision to end negotiations.

In mid-May, when it became clear that some of the conditions for the first agreement would not be met and that it had lapsed, Southern Sun resumed talks in an effort to formulate a new agreement with American Leisure Corporation.

"We finally concluded just before last week's formal announcement that there was little point in continuing negotiations."

Mr Kerzner said Southern Sun stipulated "right up front" that the Southern Sun directors, including those on the South African Breweries board, should be investigated.

"We did not see any reason why the directors of SAB outside the Southern Sun board should be investigated, but that was one of only many of the conditions on which agreement could not be reached."

There were a host of reasons for the talks foreclosing.

"There were no specific plans for international expansion, and these would depend on opportunities."
Minorco's Cons Gold chance

By BRENDAN RYAN and NEIL BEHRMANN

Driftefontein, Kloof, Black Mountain and Cons Gold's other investments

The main reason for the weakness in Cons Gold has been the group's disinterest move into the oil-drilling business in the United States. Cons Gold bought a company called Skytop Brewster in 1980 - just in time for the bottom to fall out of the oil-drilling market in the United States.

The result was a write-off of £270 million in Cons Gold's results for the six months to December 31, 1982, and a decision to sell Skytop Brewster.

Johannesburg analysts believe the market's disenchantment with Cons Gold has been overcome to the point where the share is now in a good buy situation.

"Skytop Brewster was a disaster, but it has been provided against and, if losses from it have been neutralised there is a lot of room for improvement in the share," said one analyst.

Given this scenario, the possibility of Minorco, which holds 25% of Cons Gold, going for control has been raised.

An analyst said: "If you want control of a company the time to go for it is when the shares are underpriced and the outlook poor rather than wait for conditions to improve when the same company will cost a lot more."

Although some London brokers believe the situation has some logic, others are sceptical.

Mr Julian Ong, mining partner at James Capel, said: "The market is frothy, they are matching a story to fit the moment."

Minorco, which is the overseas arm of the Anglo American Corporation-De Beers group, acquired the Cons Gold shares in 1981. Anglo holds 40.3% of Minorco and De Beers 22%.

At the time of the deal, Mr Harry Oppenheimer, then chairman of Anglo, denied any intention of raising the group's stake in Cons Gold above 30% - at which level an offer for the entire company would have to be made.

Mr Tony Lenn, Minorco's vice-president for finance, said yesterday: "That's an interesting theory. However, it is a market rumour and it is not our policy to comment on market rumours.

Minorco's chairman, Mr Julian Ong, is in England and could not be reached for comment.

Minorco's role in the plans of the Anglo-De Beers group has been the subject of speculation since the restructuring in 1983 which gave Minorco most of the group's overseas interests and a mandate to expand its business.

There would considerable advantages for Anglo-De Beers if Minorco were to gain control of Cons Gold.

One of the group's main aims is to increase its business in North America and Cons Gold would be an ideal medium through which to do it.

Cons Gold holds 22% of Giant Newmont Mining Corporation and has its own mining operations in North America.

Looking long-term control of Cons Gold carries the possibility of a bid for Newmont itself.

Cons Gold has 49% of an Australian mining company, Renison Goldfields Consolidated, which could be useful in bringing to production any mining projects Anglo-De Beers might plan in Australia.

The cherry on the top is Cons Gold's 48.9% holding in GFGSA which controls arguably the finest stable of gold mines in South Africa. The result of a deal would be an enormous concentration of international and South African mining power in the hands of the men on the first floor of 44 Main Street.

Figure ii: MONEY MARKET EQUILIBRIUM

\[ M_s = R_y + L(i) \]

(The total money supply being T in extent.)
Minorco to raise $200m

By BRENDAH RYAN
Mining Editor

MINERALS & RESOURCES Corporation is raising more than $200 million through the sale of about 6% of its stake in Phibro-Salomon Inc.

Phibro-Salomon is a commodity trader and investment banker and had revenue of $25.109 billion in 1981 and net earnings of $289 million. Minorco holds 28% of the company.

Yesterday's Minorco announcement speculated on the Johannesburg, New York and London Stock exchanges that Minorco might be going for control of Consolidated Gold Fields of which it holds 29%.

Minorco yesterday it was offering 3 million shares of Phibro-Salomon common stock through a syndicate to be led by Lazard Freres and Co.

Phibro-Salomon is implementing a two-for-one stock split, so the offer will amount to 6 million shares after the split.

The offer will reduce Minorco's holding in Phibro-Salomon to 20.4% and, on a fully diluted basis, to 20.4%.

The Minorco statement did not give a price at which the shares were to be offered and no Minorco executives or directors could be reached in Johannesburg to confirm the offer price.

The shares were trading yesterday about 78, putting a market value on the offer of $244 million.

Minorco intends maintaining its equity interest at above 25% and will continue to equity account its share of Phibro-Salomon's earnings.

Minorco said the offer would improve the balance of its overall portfolio, increase its liquidity, and put it in a position to take advantage of investment opportunities as they might occur.

An investment opportunity being suggested by Johannesburg share analysts is control of Cons Gold.

The speculation has led to above average buying of Cons Gold shares in the London market by Johannesburg purchasers. The price of Cons Gold shares rose from 96p to 86p in London yesterday, and only 15c to 95c in Johannesburg yesterday.

The main reason for the speculation is the weakness of Cons Gold shares in relation to those of 49% held associate Gold Fields of South Africa.

In June last year Cons Gold shares stood at R1.75 on the JSE compared with GP SA at R14.26.

Since then GP SA shares have soared with the improving gold market, but Cons Gold shares have marked time. At yesterday's close GP SA shares were R140.

The value of Cons Gold shares expressed as a percentage of GP SA shares has dropped over the year from 19% to 6.7%.

Yesterday's announcement can be seen in two ways. The markets may have got wind of something brewing with Minorco, and mistakenly come up with the Cons Gold takeover scenario instead of the Phibro-Salomon stock offer.

Alternatively, the offer could be viewed as a cash-raising step by Minorco as it gears up for a major acquisition.

Control of Cons Gold would fit neatly in with the international expansion plans of the Anglo-De Beers group which controls Minorco, holding 65% of its equity.
Lesotho in drive for industry

By JOHN MULCAHY

SEVERAL South African manufacturers have established factories in Lesotho to take advantage of the tax holiday, duty-free access to European Economic Community markets and the availability of "competitive" labour.

Industries that have been set up in Lesotho include clothing, footwear, umbrellas and handbags, all of which are labour-intensive. Lesotho's drive to attract investment has been hampered by decentralisation concessions being offered in SA homeland areas, but the open export door to Europe, the US and West Africa is a carrot that cannot be matched in SA.

With a gross national product of R432-million in 1979/80 (up from R75-million a decade earlier), Lesotho is one of Africa's poorest countries. The Lesotho National Development Corporation (LNDC) is working industriously in the Far East and Far Europe.

The LNDC will, if requested, take an equity stake in a project, and it will provide loan finance for projects that can prove their potential for long-term profitability.

Basotho labourers are recognised for the quality of their work, and all the manufacturers I spoke to on a visit to Lesotho remarked on the particularly low level of rejects on production lines.

A spokesman for Lesotho Clothing, which opened at Mapotse in 1980 with 50 machinists, said the company had 164 employees at its two factories and hoped to reach 200 by the end of this year.

Lesotho Clothing has developed a large export operation, 80% of its production going to the US, Canada and Europe. It produces about 1 200 swimsuits, shorts and casual trousers a day, and has started a pilot plant which produces 20 to 30 wet suits a week.

The spokesman said the target for wet suit production was 150 a week by the end of the year.

A manufacturer, building contractor or hotel/casino operator approved for Pioneer Status qualifies for a tax holiday of up to six years or special tax allowances. Pioneer Status is awarded by the Pioneer Industries Board, which operates under the control of the Ministry of Commerce, Trade and Tourism.

The special tax allowances include a 165% write-off of machinery and equipment in the first year, a 75% write-off of factory buildings in the first year, another 50% written off over the next 10 years, 45% of employee dwellings written off in the first year, and 80% over the next four years, an annual allowance of 15% of the actual cost of electricity, water and sewerage services, transport within the SA Customs Union of raw materials and finished products, and annual allowance of 110% (up to five years) of actual cost of tuition, room and board for Basotho employees attending courses and an annual allowance of 10% of the wage bill for Lesotho citizens for not more than 10 years.

Backing the industrial development in Lesotho is the Lesotho Bank, which has evolved as a commercial-cum-development bank.

The bank was established about 10 years ago, and a World Bank representative was seconded to oversee the development aspect.

Lesotho Bank has provided home-loan financing for several years, and one of the achievements of which it is proud is the success it had in an appeal to the Lesotho Government to amend land tenure legislation.

Its lead in the home loan market eventually forced the expatriate banks — Barclays and Standard — to follow suit.

The Lesotho Bank is staffed entirely by Basotho, from its board members and senior management to the banking hall, and the only expatriates have operated in an advisory capacity.

A potentially exciting venture the LNDC is negotiating is the establishment of a Taiwanese electronics factory, which it hopes will be operating by the middle of next year.

Some Basotho will go to Taiwan for training, and the plant will initially assemble television sets, but this is seen as the starting point for a range of electronic goods.

A spokesman for LNDC said the industries that could benefit from establishing in Lesotho were assembly and light engineering, as well as textiles.

In 1982 nine industrial projects were established in Lesotho, which at full production will employ 1 200 people.
Pick 'n Pay Eyes US Market
Rothmans looks around

By NEIL BEHRMANN

LONDON - Rothmans International intends to extend its diversification programme into non-tobacco products.

Sir David Nicholson Rothmans chairman, told the Wall Street Journal "I hope to see us with 50% in non-tobacco within 10 years."

Rothmans net profits rose from £47.4m (1.125 billion) to £79.9m (1.125 billion) in the year to March 1983. Sales climbed 23% to £3.413 billion.

A £30 million gain from currency fluctuations contributed to the sharp improvement in operating profits. But excluding non-recurring gains underlying profits rose £16 million, nearly 13%.

Rothmans is 44% owned by Rembrandt Group and Philip Morris.

The market has speculated that Philip Morris might increase its stake in Rothmans, but the company denies that it is aware of any such plans.

Tobacco accounts for 85% of Rothmans sales and 67% of operating profits before interest payments. The Carling division in Canada, contributes 12% of sales and 27% of operating profits. Carling operating profits in the past year more than doubled from £16.5m in 1982 to £33.5m in 1983.

Rothmans says Carling boosted its market share by one percentage point to 25%.

This year the company will upgrade its Western Canada breweries and market more of Philip Morris Miller brand beer in Canada.

Earnings of Dunhill, Rothmans lighter and luxury consumer goods division, rose 11% to £4.300m.

In April Rothmans bought 20% of Carter Mond the jewellers and suggested it might increase its stake. Carter's results will have an impact on this year's earnings.

Rothmans cigarette sales volume declined 3%, but price increases helped it to increase revenue. The West German market was poor, but the United Kingdom gained slightly.

The West German Monopoly Office recently challenged Rothmans link with Philip Morris. Rothmans concedes that there is a "remote chance" that the two companies might be forced to separate in West Germany.
A PORT ELIZABETH company has secured a multi-million rand export contract cleaning up old baths in the United Kingdom.

And in the process Mend-a-Bath International (Pty) Ltd, jointly managed by Mr Rob Hamilton and Mr Ivor Benn, has become the first South African company to franchise a system outside of the country, Mr Hamilton believes.

Key to the success of the novel export was a R300 000 research and development programme which went into the chemical formulation and application processes required in re-enamelling old baths.

Developed in conjunction with German chemical company Bayer, the formulation upon which the process relies has rocketed Mend-a-Bath into international prominence from a modest launch in Port Elizabeth in 1979.

The franchise agreement sealed in April this year in the United Kingdom will generate a licence fee on a "master franchise" of R800 000 over the next five years, plus exports of "bath kits" targeted to generate export earnings at today's prices of around R1.5 million by 1986, and twice that over the following four years.

By 1980 Mend-a-Bath was operating from three branches — one each in Port Elizabeth, Cape Town and Johannesburg.

The following year the company began franchising its branches and today there are 19 such franchised operations (a market-feasibility study indicated that the country could be carved up into 20 viable marketing sectors, which means one franchise opportunity remains).

Mr Hamilton believes the market is worth some 1 000 baths a month in the country and claims to be doing 500 via all the branches at present.

Price of a reconditioning job is some R150, compared with an initial price of R220 to buy a new bath and the cost of removing the old bath and retiling the new one.

Mr Hamilton says contracts with two major South African hotel groups may account for the fact that he has had numerous unsolicited inquiries from as far afield as Bermuda (possibly from a visitor to South Africa who saw the results of the reconditioning job).

Once the UK operation has been consolidated a "positive" inquiry from Australia will be pursued, he added.
SA firms holding their own

By Julian Kraft

SOUTH African companies are becoming comparable in size to multinational corporations — and they are performing better in sales terms than the multinationals.

OK Bazaars, for example, with a turnover last year of R1 385,1-million, is about a quarter the size of Coca Cola International, while Pick 'n Pay's sales (R1 295,5-million) equal the world turnover of computer giant ICL.

The facts are highlighted in a study undertaken by Johannesburg marketing consultants Perry and Associates. Mike Perry, managing director of the company, says: "In the past year the Government has opened the door towards overseas expansion by South African business, and it seems likely it will open it further when the economic upturn arrives."

In the specific areas of consumer packaged goods — covering foods and household goods — the top South African retail chains and food manufacturers have both the size and resources required to compete overseas.

However, if these giants were obliged to continue functioning in a closed economic environment, the intensified competition which would result could lead to undesirable vertical groupings of manufacturers and retailers.

But Mr Perry points out that South African companies lack the necessary expertise in industrial relations, and will have to redress this to succeed in the world market.

The study also shows that:

1. Measured in dollar terms, South African companies in the consumer packaged-goods arena showed growth in 1982, while many multinationals with business links in this country had minimal growth or declined during this period.

This illustrates that South Africa in the current climate is an attractive market for multinational companies.
Small start, big hopes for LTA Brisbane office

CONSTRUCTION giant LTA has followed the example of supermarket king Raymond Ackerman and is set to enter the Australian market.

Undaunted by fears of political opposition, the company has opened its first office in Brisbane and is ready to challenge the country’s biggest contractor, Leighton.

In overall size, the South African LTA group is larger than any similar organisation in Australia, according to group managing director Mike Ridley. In terms of civil engineering and road building, LTA (South Africa) is probably a partner with Australia’s biggest.

This will be the first time LTA has set up a company overseas since less successful efforts with the Murray and Roberts group some years ago to enter the South American market.

LTA’s efforts in Brazil and Chile, where it built a transmission line, were on a “very small” scale.

The LTA Australian move was instigated by former LTA senior executive Peter Owen, who emigrated to Australia and persuaded LTA there was an untapped market there.

LTA has acquired a dormant company in Brisbane and changed its name to LTA (Australia) Pty, as the basis for the new move. The new company, however, has been formed with an established civil engineering company in Australia, Alco, and is set to make its first impact on the local scene.

It has entered the market in a low-key way and in its first bid has tendered the lowest price on a cooling tower contract. If successful, LTA will start by only leasing equipment, but will exploit its widespread expertise in this field.

Ridley says that Alco has no experience in cooling towers whereas LTA has considerable experience to draw on. No tenders have yet been awarded.

The tie-up with Alco means that LTA can minimise the chance of political intervention as well as make use of Alco’s local expertise and contacts.

On the South African scene, however, LTA’s efforts to build in the homelands has proved less than successful, according to its chairman, Dr Zac De Beer.

In the latest annual report of the company, Dr De Beer reported that the partnership companies formed in Ciskei, Lebowa, Swaziland, Transkei and Venda “have not proved to be particularly fruitful.” But the report says that some important contracts were completed.

The growing role of LTA’s business lies in building and the company is busy on contracts for seven high-rise office blocks, six hospitals, two shopping centres and five colleges.

Mr Frank Gross — steeling himself against concrete
Liberty links with US insurer

By STEVE ELLIS

LIBERTY Life has joined forces with a major US insurer for the first time and the association is expected to accelerate Liberty's expansion in the British and American markets.

Lincoln National Life Insurance has acquired a 24.6% stake in TransAtlantic Insurance Holdings - the vehicle through which Liberty holds its British investments - for £30 million cash.

Liberty, of Fort Wayne, Indiana, is a subsidiary of $100 million insurer Lincoln National Corporation (LNC).

To facilitate Lincoln's involvement, the capital of TransAtlantic was increased by $32.5 million through the issue of 21.5 million shares at 1.5p each.

TransAtlantic bought 20 million shares, the balance going to Liberty to enable the insurance group to retain a controlling 51% interest. Previously, Liberty held 66%.

TransAtlantic's issued capital now stands at 19.25 million ordinary shares of 5p.

The effect of the transaction is not expected to have a material impact on Liberty's earnings.

The executive chairman of Liberty, Mr Donald Gordon, said the partnership with Lincoln did not necessarily mean his group had immediate intentions of breaking into the lucrative US market.

"We're not engaged in a wholesale hunt for US acquisitions. It's a prudent way of giving Lincoln a leg up in the US life insurance market and a strategic investment which doesn't prejudice our expansion plans here in Europe."

Lincoln's £32.5 million investment in 20 million shares amounting to 24.6% of TransAtlantic's stake will be used to wipe off TransAtlantic's debt, placing the subsidiary in a net cash position of £25 million in the bank.

TransAtlantic's borrowings once reached a level which caused concern, but with the share issue and the recent £3.5 million sale of its 23% stake in Montreal Life, profits will be boosted by net interest receipts.

Mr Gordon said the Canadian operation was sold because the operation was "a little too small". However, the directors of TransAtlantic "are investigating further investment opportunities".

TransAtlantic was incorporated in June 1980 to invest in insurance, real estate and related investments, predominantly in the financial services industry.

"It is TransAtlantic's objective to seek special situations in the aforementioned fields and to limit its portfolio to a small number of strategic investments."

The group's £110 million portfolio is headed by a 24% stake in UK life insurer Sun Life Assurance Society and a 29.6% interest in property investment group Capital & Counties. Both are listed on the London Stock Exchange.

The Lincoln group operates in life-health insurance and annuities, property-casualty insurance and title insurance throughout North America.

In the year to last December, the latest period for which figures are available, LNC's net income totalled $122 million on revenue of $3.36 billion.

COMMENT: Mr Gordon's parting comment after discussion about the transaction was: "It's quite an interesting little deal, isn't it?"

That it is.

But why, only last Tuesday, did he deny any knowledge of a deal being struck by Liberty involving overseas parties - a rumour which prompted an 11.1% advance in Liberty Holdings share price on the Johannesburg Stock Exchange?

"Interesting," the deal may be, but whether its importance warranted the secrecy which surrounded its release is debatable.
SA firm may win Argyle contract

By BRENDAN RYAN
Mining Editor

LOCAL engineering firm, Van Eck and Luree, may be awarded the design and engineering contracts to set up the world's largest diamond mine in Western Australia.

The total cost of developing the Argyle diamond mine, which will produce about 25 million carats a year at full output, has been estimated at R450 million.

For the past three years an Australian subsidiary of Van Eck and Luree has been involved in a joint venture with an Australian company, Minenco, to perform feasibility studies on the Argyle mine.

The company, Vel-Minenco, has carried out studies on the entire mining and ore treatment operations for the mine which is controlled by CRA, the Australian division of RTZ which holds 27%.

Van Eck and Luree is a wholly-owned subsidiary of the Boksburg-based E L Bateeman engineering group.

It has considerable expertise in setting up diamond recovery plants and has been involved in all the major developments by De Beers at Finsch, Jwaneng, Koffiefontein and Lethibane diamond mines.

While industry comment is that Van Eck and Luree has already been awarded the Argyle contracts this was denied by E L Bateeman managing director Mr John Treger.

"As yet there has been no final go-ahead on the Argyle project. We have not been awarded any contracts for the work.

"There are as yet no formal documents between Vel-Minenco and the Argyle Diamond Mine but there are letters of understanding between the two companies," he commented.

Mr Treger would not give details of the letters of understanding or of the work that Vel-Minenco has done for Argyle saying these were confidential matters between the two companies.

He said however the studies carried out by Vel-Minenco had been for the entire project including the mining and treatment operations.

Argyle announced it had concluded a marketing agreement with the De Beers Central Selling Organization, (CSO), in December last year.

Since then the two main participants, CRA and Ashton, have been arranging the large-scale finance needed to set up the mine.

Ashton, which has a 32.5% stake in Argyle, raised R223 million in bank loans and a few months ago while CRA raised R230 million with a banking consortium earlier this month.

With the financing arranged the awarding of contracts must be imminent and Vel-Minenco, having worked closely with Argyle over the last three years, should be a near certainty for the work.

Argyle's starting mining diamonds from its alluvial deposits at the beginning of 1983 and the first sale of 790 000 carats was made through the CSO in April.

The sales of alluvial diamonds will provide cash flow for the project participants in addition to the loans raised to develop the mine on the main kimberlite pipe.

Argyle's production will be about 80% industrial or near-industrial quality diamonds which will provide the CSO with an enormous marketing problem in coping with the new supply.

The CSO contract reached with Argyle is unique in that it allows an unprecedented degree of independent marketing by the Australian mine.

Once full production is reached in late-1985 Argyle will sell 65% of its industrial and near-industrial stones on its own account.

This arrangement reflects the importance of the mine as well as the degree of political resistance to De Beers involvement in Australia.

Suspense over Rennies after JSE move

By HAROLD FRIDJHON

SHARES of Rennies Consolidated Holdings were suspended at the beginning of business on the Johannesburg Stock Exchange yesterday at the company's request.

This was given rise to considerable speculation as to whether the suspension appears to presage a major move in the company's affairs.

No suspension would have been asked for if Rennies were making a major acquisition which would not materially affect either its earnings or its assets.

The popular theory is that Rennies and Mr Sol Kerzner might be talking about some sort of common policy — or maybe a share swap — affecting Holiday Inn's estuarial interests and those controlled by Mr Kerzner's Newco.

The restraint of trade on Mr Kerzner affects only hotel trading in South Africa, he is apparently free to do business outside the Republic of South Africa.

One view is that Mr Kerzner is concerned about the proposed Holiday Inn casino-hotel in KwaNdebele but it is difficult to see what trade-off can be negotiated. He certainly has something to offer Rennies — maybe a share of Newco — but other than that Mr Kerzner has just negotiated his own "freedom" and it is unlikely that he would yield it so soon.

As for inhibiting the KwaNdebele prophecy, this does not lie entirely in the hands of the entrepreneurs. If Rennies do not go ahead, there is little chance that the KwaNdebele authorities would seek for and find another company.

It might be coincidence but yesterday neither Rennies' top management nor Mr Kerzner were available for comment. They were all at meetings.

Another possibility is that business is being discussed that Rennies might be considering a major move.
**Asbestos:**

**R13m award**

DALLAS Texas A United States Federal Judge yesterday awarded a British asbestos supplier and its South African subsidiary to pay R13 million (about R2 million) to 160 Texas residents exposed to the material.

The award was made in a lawsuit brought by 160 Texas residents who claimed they were exposed to asbestos during the construction of a hospital in Texas.

The court ruled that the supplier and its subsidiary were liable for the harm caused by the asbestos.

**Bread-knife**

Mr Haas was an onlooker at the scene where a man was stabbed to death with a breadknife.

Mr Haas, who was on his way to work, said he saw the man being attacked with a breadknife.

He said the attacker was a man in his 40s who was wearing a black jacket and carrying a bag.

**Mother dies after school unrest shooting**

**EAST LONDON**

A mother of three died after shots were fired by police during the second day of school unrest in Duncanville.

The mother, who was hit in the chest, died at the scene of the shooting.

Police said they were responding to reports of a shooting at a school in Duncanville.

**Collection costs**

The United States Government has agreed to bear the cost of collection of default judgments against the companies.

The government will pay the costs of collection to the companies.

**Excerpts from the story**

"He reports an experience followed by emotional restraint at the time of the alleged offence", the doctor said.

At a previous hearing, Mr Ntshingila pleaded not guilty to murdering Mr Aba Haas in his Conrade Hospital bed on April 18.
Afex buys US properties

By PATRICK McLoughlin

AFEX Corporation, the Luxembourg-based successor to Africom Corporation, has begun its US property investment programme with the purchase of two rent-producing light industrial units for about R7m.

The group announced yesterday that one property each was bought by two wholly owned US subsidiaries formed several months ago. The acquisitions would have little effect on group earnings for the year ahead. They were, however, in line with the policy of building a solid base of assets in the US.

Afex has equity investments on the New York Stock Exchange and the property purchases represent the second leg of the US investment strategy.

The equity and property purchases were funded from dividends from Afex’s Southern African operations — currently the major part of its total operations — and it is planned to expand both investment areas using the same method.

Afex says “Our portfolio of securities listed on the NYSE continues to be held and it is being added to.”

The first property purchase was made through Arzafex which bought a light industrial/warehouse for $2.65m in Phoenix, Arizona.

The second was through the Calafex subsidiary and involved a similar property in San Diego, California.

An Afex spokesman said the new properties yielded a return of between 8% and 9%.

Afex had exhausted its funding allocations for US property, and more purchases would not be made for a while. The acquisitions reinforced Afex’s determination to spread investments geographically.

The spokesman said the group was not necessarily moving away from Southern African, although Zimbabwe investments — including farming and equity in gold mining — were a doubtful area.
Pick 'n Pay eyes US hyper

CAPE TOWN. — Pick 'n Pay has had preliminary talks with US supermarket food chains on opening joint-venture hypermarkets in America, according to Mr Raymond Ackerman.

The chairman of Pick 'n Pay said in an interview that entry into the US market hinged on building up a hypermarket chain in Australia, the group's first overseas venture. Pick 'n Pay's hypermarket in Brisbane is due to open at the end of next year. Two-thirds of the venture is owned by Permewan of Australia and the balance by Pick 'n Pay.

Mr Ackerman said Pick 'n Pay intended to take a 50% stake in later hypermarket ventures with Permewan. "Our aim over the next eight to 10 years is to build 10 hypermarkets in Australia. If it goes well after hypermarket five, we may well pick a country like the US and do a similar deal on a 50-50 basis."

He had had discussions with US supermarket food chains, but he declined to name them. "Americans don't know hypermarkets and there are some interested people who would like to link arms with us and open a group of hypermarkets. But it is embryonic. I wouldn't dare touch it until I get Australia off the ground."

He was confident Pick 'n Pay would increase pre-tax earnings to R55m in the year to February from R48.1m in 1983. Mr Ackerman attributed the first-half gains, achieved when other chains were reporting huge drops in profit, to aggressive marketing, an increasing number of stores, a hike in advertising and an improvement in meat and produce quality with better margins.

Pick 'n Pay was anxious to enter the black market and planned on a conservative estimate to open one venture a year in partnership with blacks by 1990.

Pick 'n Pay (Mitchells Plain), 51% owned by black shareholders and 49% by Pick 'n Pay, outperformed the rest of the group in the first half. A joint venture supermarket with black businessmen would open next year in Soweto. — Reuter.
Gencor near decision on gold venture in Brazil

Mercury Correspondent - more in exploratory work
Johannesburg — and in finalising a detailed feasibility study of
Corporation, is within a month of a final decision on executive director responsible for inter-
tive gold-mining operations, Gencor's executive direc-
tion of a highly lucrative prospect in Brazil. Yesterday confirmed the
An article in a stockbro's report, said that the latest indications were that
periodical Crosscut, including these could be extended into about 6m tons
Minerais do Sao Bento, a Brazilian company that owns the mineral rights of four enomineable reefs, at
owns the mineral rights to shallow depth, and mini-
operations near Belo Horizonte are said to be easy according to Daily

Davis Borkum's mining research department believes the in situ-grade is be-
points to proven ore reserves a ton, which at a rate of more than 6m tons South African dilution tons, and that it is confi-

The brokers estimate that Davis Borkum has cal-
that Gencor has already evaluated that, on an aver-
invested about R40m in economic mining life, Sao Bento, and had re-
production would be at a rate of about 35 000 tons a
month, with gold production about 4 500 kg a year, and producing revenue of £5.8m a year at $400 an ounce and $55.1m at a gold price of $300 an ounce.

A positive factor for the Sao Bento prospect is that the Brazilian central bank buys internal gold production on a formula which ensures that the price paid in Brazil is higher than the ruling free market price.

This would have the effect of increasing revenue. Mr Smith agreed to the variable paid by the Brazilian government which provides a substantial premium to the free market price.

On the downside, Davis Borkum's report refers to the parlous state of the Brazilian economy, with billions of dollars owing to international lenders and with little hope of being able to repay the debt in the foreseeable future.

The main problem facing Gencor is whether or not to invest money in a country from which, while it may earn very good returns, it may never be able to remit its dividends.

Mr Smith said that Gencor was not concerned about the proposal to hold on to externalising dividends.

While straightforward investments in the country might present difficulties in repatriating income, if money is invested as loan capital dividends were more secure.

He said the rationale behind the move into Brazil was that after the completion, Beatrix had no new prospects in South Africa, and it made sense for the group to look elsewhere.
Oceana looking for profit on Chilean side

By ALEX PETERSEN

THE OCEANA Fishing Group's Chilean venture appears to have overcome its initial difficulties and is budgeting for a profit in the current year, the group's chairman, Mr Cedric Walton, says in the annual report.

Mr Walton, in his first report as chairman of the company, formerly known as Lamberts Bay Holdings, says that its subsidiary, Seaways, has increased its interest in the Chilean venture, Pesquera Coquimbo Limited, to 44.4%.

"The substantial improvement in the price of fish meal on the international markets and the additional tonnage of fish caught has made a material contribution to the profitability of the Chilean operations during the current financial year."

"Consideration is being given to increasing fleet capacity. Should this materialise, the profits are likely to show further improvement."

On the domestic front, however, the outlook is a little more cautious.

While operations of Seaways at both Luderitz and Walvis Bay have been "most successful and have made an increased contribution to group results", the new quota dispersions in the pelagic fishing industry have caused a significant fall in production and sales volumes for the group.

The drop in volumes, compounded by the effect of inflation on production costs and overheads, has had an adverse effect on operating profits.

Pelagic fish catches at group factories in Lamberts Bay, St Helena Bay, Sandy Point and Hout Bay were 105,178 tons in the season from January to June 1983, compared to 148,823 tons between January and August 1982.

The group's catches represent 38.5% of the industry total.

Marginally offsetting the lower pelagic yield has been a higher price for fish-meal on the domestic market, as well as higher yields of quota-free fish.

For rock lobster, a favourable rand-dollar rate, together with higher production of whole cooked lobster, has maintained profit at a satisfactory level.

The "stringent conservation measures appear to be having a beneficial effect", Mr Walton says.

He hopes that quotas drastically cut in recent years, can, over time, be restored to their original levels.

Referring to changes in the dispensation of the rock lobster quota, as a result of which 250 tons of the group's quota will revert to private fishermen, leaving a balance of 240 tons, Mr Walton says this will not have a material effect on profitability, "due to the lower cost of catching by company-owned vessels."

He is cautious about the Alcenta Committee recommendations.

If accepted by Ministers, they are "likely to have far-reaching effects, particularly in so far as the Hout Bay pelagic fishing operations are concerned."

Mr Walton says that wholly owned subsidiary, North Bay Cannery, is to begin prospecting operations for precious stones in its shallow water lease area shortly.

But a material contribution to group earnings is not expected at this stage.

Yearends to change at W&A

Financial Reporter

THE 10 quoted companies in the W&A group are changing their yearends to December 31 for consolidation purposes.

This means W&A Investment Corporation, Bradlow's Stores, Enyati Resources, Wacor and World Furnishers all change from June 30 to December 31. The next financial statements will cover the 18 months to December 1984, says a spokesman.

The Williams, Hunt group -- Williams, Hunt SA, Aurochs, Autoloc and Cap-auto Investments -- acquired by W&A as part of the Anglo-African Finance Group, previously reported to February 25. They will also report to December 31.

The four companies in the Williams, Hunt group have a dispensation to report for the 10 months to December 31, 1983. They will not report for the six months to August 31, 1983.

General Tire & Rubber is changing its yearend from February 25, reporting for the 10 months to December 31, 1983.

It is a prerequisite for consolidation that all companies in a group have the same yearends.
Liberty looks to Europe for expansion

By Duncan Collings
Deputy Financial Editor

Liberty Life has still a long way to go before it completes its programme of internationalisation and 1984 could well see this maverick of South African life assurance as an active buyer in the overseas markets.

According to managing director Mr. Monty Hilkowitz, the North American market has little attraction for Liberty, Europe, against the background of Liberty's existing power base in the UK, is a far more likely arena for expansion, he told The Star in an interview.

"We haven't looked at Australia or New Zealand in any depth, but it is most likely we will do so in the near future," he said. "But there are logistical problems - distance and few aircraft connections for example - and I am not sure just how welcome we would be in those countries against their existing political backgrounds."

On the other side of the globe, the Eagle Star/Allianz/BAT battle for control of Eagle is being watched very closely by Liberty. "This is a very great model for us," said Hilkowitz.

But the expansion of Liberty into world markets is very much under the direction of Liberty's chairman, Mr. Donald Gordon. Mr. Hilkowitz was at pains to point out that the expansion - and further international expansion is on the cards - will be handled by Mr. Gordon.

Mr. Hilkowitz is far more involved in running the "home operations" of the group which was pushed back into fourth position in the big league with the merger of Anglo American Life and Southern Life from its previous third position.

This is an untenable position for the aggressive Liberty Life which, according to Mr. Hilkowitz, will make strenuous efforts to regain its position as soon as possible.

Not that 1983 has been a bad year for Liberty Life.

Although growth overall during the year was lower than that of 1983, the group has outperformed the market, in the process grabbing a greater slice of the cake.

At the halfway stage of 1983 the group's new business was up 15 percent over the previous year and, said Mr. Hilkowitz, he would be "very surprised if we are not up 20 percent for the full year."

Next year Mr. Hilkowitz sees the South African market for individual and group business expanding by between 15 and 20 percent. "I would expect Liberty Life to gain market share again in 1984 and our new business therefore should be higher than the market," he said.

Mr. Hilkowitz says that the group business area could be very interesting. The trend, he said, is for more and more self-administered private company pension schemes to place their business with the insurers.

And if this gains momentum next year "we could see a very big increase in group premium income in 1984."

Policy lapses were much higher in 1983 compared with 1982 and Mr. Hilkowitz sees a similar picture for 1984.

In the longer term, Mr. Hilkowitz sees the life and pensions industries continuing to expand in real terms for the foreseeable future.

On the product front, 1983 was the year which saw the computer married to a new generation of policies where flexibility is the keynote. Mr. Hilkowitz does not see the basic policy format changing in the years ahead, instead the keynote for development by life companies will be the marriage of all financial services - banking, investments and life insurance, and a greater emphasis on the degree of service offered.

MARKETING CHANGE

"Marketing will become more cutthroat as the level of saturation of the market increases and the principle of selling life assurance in today's numbers, rather than relying on inflated telephone-like end-benefit numbers, will be the keynote of selling in the future."

"Although inflation is here to stay, people cannot accept the enormous sums that they will need by the time they retire. You have to talk to them in numbers they can relate to - numbers of today," he said.

The development of a full range of financial services is now accepted in the industry. Liberty and Standard, the new Southern Life and Barclays, The Old Mutual and Nedbank, for example have taken the first steps towards offering a range of "one-stop" integrated financial services.

A nagging problem area which remains for Liberty has its source in the field of industrial relations. The group has been beset by strikes and go-slow for several months now and this has extended to a black boycott of the group and its associated companies.

Talk in the company is that this is resulting in severe administrative problems resulting in the late issuance of policies and, perhaps more serious, late payment of commission to agents.
Liquidation interdict granted

By TONI REYNKE
Court Reporter

AN APPLICATION interdicting an intended liquidation of a Randburg firm of process engineers involved in the construction of a Guatemalan cement factory was granted by the Rand Supreme Court yesterday.

Gatx-Fuller (Pty) Ltd, a wholly-owned subsidiary of Fuller Company Incorporated which, in turn, is wholly owned by Gatx Incorporated in the United States, denied in papers that it was insolvent and unable to pay its debts.

Gatx-Fuller designs, manufactures and sells mineral processing plants.

The interdict was granted against Shepherd Incorporated, a civil engineering consultancy of Doornfontein, Johannesburg, who claimed Gatx-Fuller owes R60 960.

This amount arises out of a sub-contract granted to it by Gatx-Fuller in connection with a South African factory.

Mr Justice F N Kirk-Cohen simultaneously granted an order of provisional sequestration against the major contractor of the factory, Trade and Project Management Services (Pty) Ltd (TPMS) of South Africa to pay Gatx R60 962 for services rendered in the contract.

Mr George Bethwaite, a senior executive, said in papers his company is at present working on a contract valued at about R6 600 000.

Gatx-Fuller has also R4 million on call with its bankers and its assets exceed its liabilities by a substantial amount.

Neither of the parent companies will permit their South African subsidiary to be liquidated, Mr Bethwaite said.

The court heard TPMS, a management services company, entered into a contract with a body corporate in Guatemalan to execute and complete feasibility studies for the construction of a cement factory during 1979.

The contract also made provisions for TPMS to build the factory. As a result, TPMS formed a consortium of which Gatx-Fuller formed part.

Gatx-Fuller entered into a contract with TPMS during 1980 in terms of which TPMS would pay it R1 million for certain services rendered regarding the Guatemalan contract.

Gatx-Fuller subcontracted with Shepherd to complete certain work during the first phase of the building project against payment of R130 000.

Gatx-Fuller had already paid R90 000 of the amount and R50 000 was still outstanding.

Mr Bethwaite said his company only invoiced TPMS of Sauer Street, Johannesburg, for about R300 000, of which R300 000 had been paid.

TPMS acknowledged a debt of R502 683 in a letter to Gatx-Fuller dated October 23, 1981.

Mr Bethwaite said Shepherd instituted legal proceedings against Gatx-Fuller during April 1982 for the payment of R20 000 despite an oral agreement between them that Gatx-Fuller would not pay its subcontractor until it had been paid by TPMS.

Mr Bethwaite said Gatx-Fuller has considerable goodwill and reputation in South Africa.

An application for its liquidation and the resultant publicity would be extremely detrimental and harmful to the company, its ongoing affairs and its parent companies.

Mr Justice Kirk-Cohen interdicted Shepherd from instituting winding-up proceedings pending the outcome of the dispute between the two companies as to whether the R50 000 is due and payable by Gatx-Fuller.
Anglo takes share of London broker

Special Correspondent
LONDON — Anglo American's international arm, Minconco, will have indirect interests in major London and New York broking firms, now that Charter Consolidated has bought a significant stake in London brokers Rowe and Pitman.

In a series of stunning announcements this week, Charter said it planned to take a 32.9% interest in Rowe and Pitman, one of the 10 largest brokers on the London stock exchange.

At the same time Akroyd and Smothers, one of the two leading jobbers or market makers on the London stock market, said that it would form a international dealing company with Rowe and Pitman.

Minconco owns 35% of Charter's shares and has a 22% stake in Phibro-Salomon, the huge American commodities and securities firm.

A Charter spokesman insisted however that the purchase of Rowe and Pitman did not imply that there would be a link with Phibro-Salomon.

Chartter is paying £16.2 million ($29 million) for the stake in Rowe and Pitman.

This puts a price tag on the stockbrokers which act for the Queen and for Anglo American at £54 million ($97 million).

Rowe and Pitman which employs 400 people worldwide, including South Africa, is one of the top firms dealing in British equities. Over 55% of its business is generated from international stock dealings. After Vickers de Costa it is the second largest overseas broker in London.

The firm has been dubbed the "Richthofens of the dawn raid", and a few years ago worked with Davis Borkum Hare in helping Anglo American acquire shares in Consolidated Gold Fields.

The international dealing subsidiary of Rowe and Pitman and Akroyd will be capitalized at £17 million ($30.4 million).

In November, Mercury Securities, the parent company of London merchant bank SG Warburg, bought a 29.9% stake in Akroyd for £41 million ($73 million).

The international dealing company will have powerful connections. SG Warburg and Akroyd have already formed a joint company in New York to develop their trading and distribution activities in international fixed income securities, especially in the Eurobond market.

The joint venture will combine Akroyd's office in New York with Rowe and Pitman's offices in San Francisco, Boston, Hong Kong and Johannesburg.

For Charter, bugged by a dismal profit record in recent years, the interest will provide earnings from the booming financial services business.

Charter deals actively in the mining share markets.

The company also has a 27% holding in Johnson Matthey, leading London precious metals dealers. Johnson Matthey is one of London's five bullion houses and is also the agent of Rustenburg Platinurum.

Even though Charter insists that its new London broking interests will remain separate from Phibro-Salomon, it cannot be denied that Anglo American through Minconco now has an important foothold in the international dealing business Phibro-Salomon is a significant broking firm with dealing links and an intelligence network all over the globe.
Handbook hits at multinational business in SWA

UN council preparing to blacklist 45 'illegal' firms

NEW YORK — A United Nations group is preparing a 'blacklist' of multinational companies "illegally exploiting the resources of South West Africa and bolstering South Africa's presence there."

A draft handbook, prepared by the United Nations Council for Namibia, lists 21 such companies based in Western Europe, 10 in North America, and 4 in South Africa.

"It is the objective of this book to expose the activities of these foreign corporations which exploit the Namibian resources and whose investments continue to support the illegal South African presence there," the introduction says.

"It is hoped the revelations contained in this study will convince the governments of states whose companies operate in Namibia of the illegality of such operations and enable them to take appropriate measures to discourage the continuation of such investments and related activities."

Among the European multinationals, the booklet lists:
- Rio Tinto-Zinc and Consolidated Gold Fields of Britain, two of the 15 largest mining corporations in the Western world.
- Barclays Bank of Britain and Dresdner Bank of West Germany, two of the largest international banking companies.
- British Petroleum and Shell Transport and Trading of Britain, two of the seven largest Western petroleum companies.
- Britain leads West Germany and France as the European nation with the most multinational operations in SWA, the booklet says.
- The most important North American-based corporations operating in the territory are listed as Newmont Corporation of the United States and Rio Algom of Canada.
- Both are said to have minority shareholdings in mining operations.
- "Other North American corporations with significant operations in Namibia include Standard Oil of California and Texaco (through Caltex Petroleum), Mobil Oil Corporation, and Hudson's Bay of Canada," the handbook says.
- Among the South African-based corporations involved in Namibia, the largest investment comes from the Anglo American Corporation through its affiliate De Beers.

Plane plunged as fabric tore, inquiry told

PRETORIA BUREAU

FABRIC that tore from the wing of a plane seconds before it crashed, killing two passengers, had not been fitted according to specifications, a civil aviation board of inquiry heard in Pretoria this morning.

The board is investigating the crash of a Champion Light aircraft at a military airfield near Baltimore on September 1 last year.

The pilot, Mr Rolfe Borchers, 40, and a passenger, SAAF Captain J.C. Mathews, were killed when the plane spiralled 900m to the ground shortly after take-off.

Mr J. Jordan, who investigated the crash, told the board it was obvious that Gecconie fabric covering the left wing had broken loose in flight.

The stitching had torn through reinforcing tapes and covering, he said.

Witnesses at the airfield said they heard a clapping sound "like a parachute opening" when the plane went into a tight spin from which it did not recover.

They heard an accompanying flutter of fabric during the five to 10 seconds the plane took to crash.

Mr Errol Ferreira, who fitted the fabric on March 20, 1982, admitted he did not adhere to the specifications of a Gecconie fabric manual.

He said that one spot on the wing, corroded screws did not hold anything so he stitched the fabric instead.

He also did not use the normal stitching cord or the prescribed knots, a fact which the board chairman, Mr C. Obrister, found disturbing.

A section of Mr Ferreira's licence for replacing fabric on aeroplanes which he has held for 24 years was suspended.

The board's findings may be made public by the Minister of Transport.
Legend became world’s biggest uranium mine

Neil Lewis: Swakopmund

There is an ancient legend among the Damara tribespeople around Swakopmund of a cave in the nearby regions of the Namib Desert in which women would spend the night in order not to have any more children. The area encompasses what is now the site of the world’s largest uranium mine owned by Rosson, a member of the Riso Tinto Zinc group. Rosson officials acknowledge the tale with sceptical amusement, suggesting that the level of radiation at their operation is extremely low. “There could be no such place,” insisted Wloton Sweeney, head of health services at Rosson. “If there were, it would glow in the dark.”

Dr Sweeney’s sophisticated clinic, with its advanced occupational health monitoring equipment to ensure that no one is exposed to excessive radiation is just one aspect of the company’s strenuous efforts to place its controversial presence in SWA-Namibia beyond criticism. “We are everybody’s favourite target!” said assistant general manager Mike Bates. “We mine uranium, we do it in Namibia and we are a multinational.”

The Rosson uranium deposit was discovered in the 1950s by a local prospector who tried in vain to interest major mining companies in its exploitation.

Eventually, his sons persuaded RTZ, an international mining giant, to develop a huge open-cut mine to take advantage of what seemed like an inexorable turn to nuclear power by the world’s industrialised nations. Rosson began exploration work in the Namib in the early 1970s. Production was delayed by technical problems caused by the unexpected hardness of the granite-like ore called Alaskite. Full production of about five million tons of ore a year was reached in 1978.

But it has lost its position as one of RTZ’s star performers largely due to the current depression in the uranium market, which managing director Colin Macauley said in an interview he expected to continue for the rest of the decade.

Few new nuclear power plants are being planned in these times of public uncertainty about their safety. Rosson’s share of RTZ group profits was about 26 per cent in 1982, but has been averaging less than half that for this year according to company figures.

However, the main cause of criticism of Rosson’s operations is the fact that the mine is in SWA-Namibia. Rosson mines and sells SWA-Namibian uranium in direct defiance of a 1974 United Nations decree that no minerals should be extracted from the territory without UN permission. Swapo has warned Rosson’s operation in the Windhoek headquarters. “It’s one of the reasons we try harder.”

During the early years of Rosson’s operation, critical comments focused on the housing conditions said to be dirty, and on wages and work regimes. “It is a dreadful subject,” said Macauley. “But nowadays Rosson pays wages comparable to local standards and the company housing is neat and comfortable.”

The housing was originally divided into three towns, one each for black, coloured and whites. But when the Group Areas Act was dropped in SWA-Namibia in 1978 the residential limits became blurred.

The right to live in a town depends on the worker’s income. Arandis, a “manufactured” town in the middle of the Namib, is for the lowest grades and is almost exclusively black. It boasts clean and modern homes as well as tennis courts and a swimming pool. — Sapa - RNS
Bateman has plans for Mauritius sugar revamp

By Duncan Collings

Preliminary discussions are taking place for South African involvement in refurbishing the Mauritius sugar industry.

A spokesman for E.L. Bateman says that for the past 10 years the company has put forward proposals to revamp the industry.

But Mauritius sugar officials say a recent preliminary United Nations Conference on Trade and Development (Unctad) survey and losses sustained by the industry last year may now precipitate a decision on revamping the industry.

No firm decision can be taken, however, until the final Unctad survey is received. It is noted that a revamping of the industry could result in further unemployment on the island.

Also, the sugar mills are now in the hands of private investors who would have to be consulted before any rationalisation could be proceeded with.

The E.L. Bateman spokesman says that the Mauritius sugar industry is based on many fairly small, old sugar mills — an essentially uneconomic base.

E.L. Bateman's proposals have included refurbishing the existing mills and increasing their capacity.

The company has been involved with the Mauritius sugar industry for a long time supplying mill plant and equipment.

The spokesman says that should the current discussions come to fruition the company would look to South African government export financing in the normal way.

But at this stage no such approach has been made because of the preliminary nature of the discussions.

The Star's correspondent in Port Louis, Mauritius, reports that Mauritius sugar officials are particularly keen on the proposals of E.L. Bateman.

The officials say that the plan to restructure and centralise sugar production is intended to revitalise the industry and add fresh impetus to the Mauritius economy.

Last year's sugar sales of 2,282 million accounted for 62 percent of Mauritius exports but the industry ran at a loss of Rs65.5 million.

The Unctad survey says it would cost at least Rs5.5 million to implement the refurbishing plan.

Unctad suggests the number of sugar factories be reduced from 21 to 15.
SA businessmen welcome peace

By MIKE JENSEN

SOUTH AFRICAN businessmen have generally reacted with enthusiasm to Government peace moves which culminated in the signing of the Nkomati Accord last week.

But there are still grounds for caution.

The attendance of the country's top business leaders at the signing of the treaty in Komatipoort underlines the positive reaction of the business community to the peace pact.

Among many others, Mr Harry Oppenheimer, Mr Gavyn Reilly, Mr Donald Gordon, Mr John Marais, Mr Basil Landau, Mr Sol Kerzner and Mr Meyer Kahn were among those to accept invitations to witness the signing of the treaty.

Some investment analysts believe the business community's positive sentiment has been partly responsible for the record-breaking rises in industrial share prices on the Johannesburg Stock Exchange.

On Monday last week the Rand Daily Mail 100 index stood at 1046,3.

By Friday it was at a record 1070,3 despite a mild setback in the gold price.

The new diplomatic initiatives in Southern Africa have also apparently helped to renew overseas interest in South African industrial equities.

In recent years the overall trend has been clearly towards net equity disinvestment from South Africa on the industrial side.

Sometimes, however, the reasons have been more financial necessity - the sale by Jardine of Hong Kong control of Randmec to Old Mutual - than political.

Sometimes the two factors have gone together.

But Barlow Rand, Sasol, Anglo American Industrial, Liberty Life and several other major industrial companies have all attracted renewed buying from London, New York and Frankfurt.

Foreign investors had previously tended to be wary of industrials, while continuing to take their chances in the more volatile mining stocks in which potential rewards could be that much greater.

But the prospect of greater peace in Southern Africa, at least in the short- to medium-term, is apparently removing some of the doubt attached to industrial equities.

Sasol, particularly, has been eagerly sought after from abroad.

Apart from suggestions that the treaty with Mozambique will result in greater political stability in the region, and so make it a better investment prospect, it is obviously hoped peace in the area could curb the need for ever-expanding demands for real increases in Defence spending.

Mr Owen Horwood, the Minister of Finance, would certainly find that a relief now with Government finances under heavy siege.

However, the Defence Force may well argue it is only because of the country's high degree of military preparedness that the Nkomati Accord has come about.

What the private sector is definitely hoping is that Pretoria's peace moves will allow it to take a bigger role in the economy of the whole Southern African region.

"If the latest developments bring economic stability to the region, the prospects for future growth in the area are distinctly brighter. A better environment in Southern Africa can only be beneficial for private enterprise," says Assocom's chief executive, Mr Raymond Parsons.

"In particular, I believe that the settlement in Mozambique can open up new opportunities for the business sector. The scope for economic co-operation is increased in Southern Africa as a whole," he adds.

However, Mr Parsons warns that the peace pact does not necessarily herald an automatic reduction in Defence spending and warns against a general over-reaction.

There are still too many unponderables in the sphere of Defence Optimism must be guarded against as it is still early days, he says.

According to Professor David Welch of the Department of Political Studies at the University of Cape Town, there is little doubt blacks have been "massively alienated by the referendum's endorsement of their exclusion from a common political system".

The signing of the Nkomati Accord could add to this by suggesting to them that support for their cause will no longer be forthcoming from outside South Africa's borders.
Getting down to terms of the Accord

By BRIAN POTTINGER
Political Correspondent
THE South African Government is to co-ordinate attempts to translate the words of the Nkomati Accord into concrete terms — jobs and progress for Mozambicans and profits for the businessmen.

A top-level Department of Foreign Affairs delegation led by the deputy director of Foreign Affairs, Mr A van Zyl, is to visit Maputo for discussions with Mozambican counterparts on how best to handle the flood of investment inquiries from South Africa.

It is hoped to create a high-powered trade delegation comprising representatives of the South African Chambers of Industries, Handelzamband, Agricultural Union and Chamber of Industries to handle liaison.

Once the investment inquiries have been channelled and processed by the Mozambicans it would be up to the individual companies to go ahead and make further arrangements.

Security

The Government initiative — jointly undertaken by the DFA and the Department of Industries, Trade and Tourism — follows from a meeting between Prime Minister P W Botha and organised commerce, industry and agriculture in Cape Town on Monday at which the business leaders were informed of the Government's intentions.

This week, Mr van Zyl said that it was vital that the momentum of the Nkomati Accord be maintained and allowed to prove the benefit of mutual co-operation.

One of the most important issues which has been raised by South African business interests is that of security of assets.

Although the Mozambican Government has apparently given private assurances on this point, major South African companies require tighter guarantees.

It is understood that the Mozambican Government is preparing legislation which will formalise the private sector — only recently emergent after years of state socialism — and give the necessary security to foreign investors.

Since the beginning of the initiative, one of the main concerns of Pretoria, Maputo and developmental economists has been that a flood of "carpetbagging" enterprises in Mozambique could jeopardise their delicate steps towards greater free enterprise and create domestic political problems for the Mozambican Government.

Spotlight

It would also rebound badly on the diplomatic gains made by the Nkomati Accord.

Meanwhile, the infrastructure within Mozambique — harbours and railways — is coming under the spotlight.

A spokesman for the South African Transport Services, which has provided technical assistance to Maputo, said this week that there were no immediate moves to upgrade the technical assistance.

But industrialists have apparently made clear that a functioning Maputo Harbour and increased capacity on the Maputo-Komatiport railway line would be essential before any major investment is undertaken.
Pick 'n Pay may open in Maputo

BY PAUL SLOD

CAPE TOWN. — Pick 'n Pay is keen to open supermarkets in Maputo following the Komatipoort accord. The group, however, would first seek guarantees from the Mozambique Government that foreign assets would be sacrosanct, Pick 'n Pay's chairman, Mr Raymond Ackerman, said.

"Mozambique needs cheap food and we believe we can make a substantial contribution."

Disclosing he had already had talks with one Maputo businessman, Mr Ackerman hinted he and director Mr Hugh Herman might visit Maputo soon.

Before South African groups were prepared to enter Mozambique guarantees would be required to prevent nationalisation of their assets, he said.

Once these guarantees had been provided Pick 'n Pay would be one of the first South African groups to move into Mozambique.

"I am most encouraged by the Nkomati accord and this could lead to not only a more peaceful Southern Africa, but a chance to develop our economy where more of our people will be better fed, better housed and better clothed."

"This is the challenge facing the private sector and Government in South Africa and I believe we must heed this challenge as our greatest chance to make our country more peaceful and a fairer and happier place for all."
Waltons for Aussie

Own Correspondent
CAPE TOWN. — Waltons — the country's largest commercial stationers — is to move into the Australian market.

Talks have already been conducted in Sydney with several Australian groups and it seems that unlike Pick 'n Pay, Waltons will be choosing to set up a major operation in partnership with Australian business interests.

Waltons' managing director, Mr Frank Robarts, returned from Sydney last week and forecasts Waltons will move into Australia this year. While talks are still in progress and no deal has been signed, Waltons is confident of agreement being reached soon.

Mr Robarts believes Australia will be a major new growth area for the group, with the South African stationery industry far ahead in terms of development.

A city such as Sydney, with a larger population than Johannesburg, has far fewer stores than its Reef counterpart. Initial investment is likely to be substantial and the project will be financed internally with no use of bank finance.

In spite of the recession, Waltons' stationery business in South Africa is continuing to show high growth and clearly the group has been looking for an investment to use the cash flow.

While Mr Robarts declined to comment on second-half profits — results are due early in May — earnings are likely to again reflect a growth trend similar to the previous year when profits rose 27% from 110c to 140c.

Waltons recently switched to Ifo and presumably the group may switch back to Ifo for the current year's figures. The May results will include the first earnings of new listed pyramid, Walcon.

Waltons' first-half profits were up 24% and the dividend was raised 21% to 20.5c. Sales rose by 16%. Mr Robarts says turnover in the second half has been reasonably buoyant but margins have improved.

Last year's dividend was covered three times and with cash flow particularly strong, Waltons is considering paring cover down to 2.75.

The DRG manufacturing arm, bought in conjunction with CNA in July last year for R11m, is now profitable.
Decision sparked by US investment laws

By Harold Finberg

Nedbank has sold its entire investment in Sage Holdings, a bank holding company in the US, to the Minco Pension Funds under the terms of a joint purchase agreement. The Minco Pension Funds, controlled by the Hong Kong-based Minco Bank, will hold about 30% of the shares in Sage Holdings, giving them a joint interest in the US financial services industry. The joint interest will involve the purchase of 2,461,772 shares in Sage Holdings, which have an estimated value of $5 million. The Minco Pension Funds have also agreed to invest $1 million in the US financial services industry, which will be used to finance the purchase of the shares in Sage Holdings.

The sale of Sage Holdings by the US financial services industry comes after a series of mergers and acquisitions in the industry, which has led to increased competition and reduced profits. The sale of Sage Holdings is expected to help the Minco Pension Funds increase its market share in the US financial services industry, which has been declining in recent years.

The sale of Sage Holdings is also expected to help the Minco Pension Funds improve its financial performance. The Minco Pension Funds have been experiencing difficulties in recent years, and the sale of Sage Holdings is expected to help the Minco Pension Funds improve its financial performance and increase its market share in the US financial services industry.
SA investment groups are a major force in London

By Christine Moir

LONDON — South African investment groups are emerging as a major force in the changes now sweeping the London securities markets.

Gencor Investment Corporation has just announced it is to team up with top London gilt-edged brokers W Greenwell to form an international dealing company specialising in natural resource stocks.

The new dealership, which will clearly draw on Greenwell's dealing strengths and institutional clients, and Gencor's knowledge of mining and fuel stocks, is expected to become a major influence in the market.

London analysts are already speculating that the partnership, which under stock exchange rules is free to trade both as principal and agent, will shortly develop unit trusts and other investment vehicles specialising in natural resources for the securities market retail end.

The new dealership will certainly have the muscle.

Greenwell has just linked up to Samuel Montagu, the 60 percent-owned merchant banking arm of Midland Bank, one of Britain's "big four" clearing banks.

Gencor is the second South African group to take a strategic stake in the new-look London securities industry.

In January Charter Consolidated took a 28.9 percent stake (maximum at present permitted) in Rowe and Pitman, one of the most prestigious stockbroking houses.

At the same time Akroyd and Smithers, the second largest jobbing firm, linked itself to R and P to form an international dealership like that Gencor has now formed with Greenwell.

When the floodgates opened last autumn in London and traditional professional divisions began to break down, locals feared an invasion from the giant US and Japanese securities houses.

They were looking West and East for the invaders. Now it seems the live wires have come from the South.

Apart from Charter and Gencor, South African-born Mark Weinberg (who has now linked up with investment banker Jacob Rothschild) is also being toasted as one of the driving forces of change in the City.
SA links with black Africa even stronger

FOUR years after the Southern African Development Co-operation Conference was formed to make black Africa economically independent of South Africa, trade and transport ties with Pretoria are even stronger.

South Africa’s far-reaching trade links reach almost every black-governed country on the continent despite angry demands for international economic sanctions against the white-controlled republic.

Seven of the nine conference members, Botswana, Lesotho, Malawi, Mozambique, Swaziland, Zambia and Zimbabwe, grudgingly admit Pretoria is still their biggest single trading partner.

Only the Marxist MPLA regime in Angola and socialist Tanzania publicly declare they are economically independent of South Africa. Even then, observers say, a little business is certainly done under the counter.

South African trade — in goods ranging from agricots to air-conditioners — continue to boom with Marxist Mozambique, Zimbabwe and Kenya.

An official of the 51-member Organisation of African Unity said: “South Africa’s obnoxious racial policies constitute one of the few points of total agreement among African nations.

“But it is also, privately, a point of agreement that South Africa is an invaluable source of cheap goods.”

At a recent SADCC conference in Lusaka, hosted by President Kaunda of Zambia, observers and South African rock lobster was on the menu for the delegates at the Intercontinental Hotel, and Drakenstein wine from Cape Province, at £28 a bottle, flowed at lunches and dinners.

Outside, street hawkers were selling Cape apples and some of the 75 Mercedes-Benz cars bought by Dr Kaunda’s near-bankrupt government for £1.7m from a company, called Benz Union, in Pretoria, were on show.

Mozambique was entrust by SADCC with the cost of replacing South Africa as the main gateway for the area’s trade.

Sabotage of railroad by anti-government guerrillas of the Mozambique Resistance Movement, inefficient handling of freight and antiquated facilities, have meant that millions of pounds worth of cargo has been stranded at the Indian Ocean port of Nacala and Beira.

Malawi has cargo worth £280m — one-sixth of its total annual imports and exports — stranded at the two ports.

State-owned South African Airways flies into all but two of the conference countries — Angola and Tanzania — and South African charter aircraft, often flying at night, are said to land at a host of black African capitals.

On board are businessmen, engineers and holds packed with anything from pencils in power drills.

More than 140,000 young black men leave their homes in SADCC states each year to work on South Africa’s gold mines. Wages are remitted as millions of pounds in foreign currency to their home countries.
Trade missions a boost for exports

BY ELIZABETH ROUSE

Almost 50% of participants in Johannesburg Chamber of Commerce trade missions have either secured export business or are about to conclude contracts.

This is the finding of a survey conducted by the JCC among businesses that have previously participated in its trade missions.

JCC chief executive, Mr Marus de Jager, says the survey confirms that participants have been successful in establishing contact with potential business partners abroad.

That means that the basic objective — to allow small and medium-sized manufacturers the opportunity of assessing the market for their products at first hand and on an organised basis — has been achieved.

Products now successfully exported to countries in Europe range from sophisticated industrial products, including valves and pumps, to consumer products such as table lamps and nail varnish removers.

In each instance the product had a distinguishing feature that made it attractive. Price and quality were also important considerations, says Mr de Jager.

More than 30 missions from Britain and France alone will be visiting SA this year in stark contrast the JCC's sole September-October mission to Europe.

Mr de Jager says: "Considering the assistance and support which trade mission participants are given in the preparation of their trip, to the extent of having abroad a programme of fixed business appointments, as well as significant financial support from the Government, it remains a source of amazement that not many more South African manufacturers take advantage of this opportunity."

"It is imperative for the small or medium-sized manufacturer to get to know overseas markets as well as his competitors from the Far East if he is to survive and grow."

The itinerary for the chamber's next mission allows two days for business in Madrid, three business days and a weekend in Paris, a business day each in Antwerp and Brussels, three business days and a weekend in London, as well as a full week in West Germany.
By Peter Farley

Nedbank is well on its way to becoming a fully fledged international bank headquartered in SA, a fact underlined by its interim figures.

And although chief executive Rob Abrahamson declined to give a breakdown of the bank's individual profit contributors, it is clear from his comments that international operations earnings were a major underpinning for the 13% profit growth in the past six months.

Many sceptics have expected Nedbank to crack, but after a string of strong profit performances Mr Abrahamson says with 13% growth in a bad period longer-term potential must be even stronger than before.

Nedbank's traditional operations have, however, been under severe pressure in recent months. High interest rates have precluded substantial profits on the bank's money and gilt market operations, and retail sector competition has pushed Nedbank's market share down from the 11% peak achieved in mid-1983.

But Mr Abrahamson thrives in this environment, and he accepts that while the bank has kept growing it could have been paying more attention to retail banking in urban areas.

With Barclays making a massive push in this sector it's highly unlikely Nedbank will be content with just sitting still.

But Mr Abrahamson says the bank will continue to concentrate on quality accounts rather than volume business.

A major factor is the bank's tie-up with the Allied Building Society. The Allied had long had close links with Barclays, and switched to Nedbank at the beginning of this year.

Now Nedbank customers can cash cheques at Allied and Perm branches. In future it's likely more innovations will cement this relationship.

Mr Abrahamson says current accounts represent less than 10% of the bank's total assets. Profit contribution from this source must be even lower, particularly as it costs R20 million a year in interest on those accounts.

Last year some 70% of group earnings were generated by the commercial bank, with about 10% each from UAL and Nedfin.

In the short-term, Mr Abrahamson sees little change here, but he expects stronger performance from Nedlin to gradually produce a bigger slice.

He says there are signs that Nedlin is writing a bigger volume of business in the highly competitive leasing market.

Nedbank has also achieved a major success in the local foreign exchange market where it was wed in a couple of years ago.

Mr Abrahamson estimates that in contrast to only 15% in 1981, Nedbank now handles more than 40% of the total business traded.

But foreign activities present Nedbank's biggest opportunities in the longer-term.

The bank is writing substantial business through its London and New York offices. Mr Abrahamson reckons that in the past six months it was involved in raising over R500 million overseas for the public sector alone.

Nedbank now plans to develop in Switzerland, it recently opened a finance company there aimed at raising money on the Swiss capital markets for SA clients. This could develop into a much larger operation.

Clearly there will be expansion into other countries, but Mr Abrahamson would not disclose those plans now.

Barclays and Standard's SA operations have made few inroads, but nonetheless the field is intensely competitive.

There are advantages:

Mr Abrahamson admits Nedbank has probably been able to secure certain fund-raising operations, particularly in the US, because of the reticence of some foreign banks to handle fund-raising for SA corporations.

But he is confident this aspect of business would still be growing at a similar rate had this advantage not applied.

Such confidence at senior level permeates the bank, and has consistently attracted the attention of the investment community. This has resulted in Nedbank's market capitalisation on the JSE rising to around R1,5 billion, well in excess of that of all other listed banks.

As Mr Abrahamson says, "We may not be the best in every single area, but the sum total is certainly better than any other bank." And on the basis of the past five years there will be few who bet against Nedbank over the next five.
Sage sets sights on US markets

BY JOHN MULCAHY

SAGE HOLDINGS is poised for substantial growth in the US and is flexing its muscles in the land development sector there and in South Africa.

After announcing a week ago that Nedbank's 40% stake in Sage had been sold — to the mine's pension funds, the Rembrandt group and Mr Louis Shill — the group has disclosed in its annual report several significant developments, both in the US and SA.

Finplan of America Inc, a wholly-owned subsidiary of Sage International BV, has acquired a majority interest in a new company, Independent Financial Services (IFS), which has opened an office in White Plains, New York State.

Sage's partners in IFS include a group of US executives and Marine Midland Banks Inc, one of the biggest banking groups in New York State.

Sage directors say IFS will, subject to formal registration with various US authorities, provide comprehensive financial services. IFS is "well capitalised, has a sound management team and the strong support of Marine Midland".

If the office in White Plains proves successful, the intention is to expand IFS into a national operation.

"Senior executives of Sage Holdings and FPS Holdings (Pty) and other group subsidiaries will be providing support in the establishment of this new venture, which we believe could make a significant contribution to the wider Sage group in the future."

Through Finplan and with the active involvement of Sage Properties, Sage Holdings has bought a building and an adjoining 30-acre site in Virginia Beach, Virginia.

The purchase price was about R22.5m.

A Sage spokesman said at the weekend that the final project would have a value of about R160m.

The Virginia project is being developed in partnership with US institutional and real estate interests.

On the domestic scene, Sage's annual report shows that the construction and land development division achieved turnover of more than R100m for the first time last year.

The division's turnover has more than trebled over the past five years. In a comment on the short-term prospects, Sage directors say the housing industry faces a difficult year, especially considering the cost and shortage of mortgage finance.

They warn that the authorities and the housing sector "will face the daunting challenge of assisting first-time home buyers to overcome the initial funding barriers to ownership and of finding solutions to the problem of suitable accommodation at the lower end of the market."

The division's net earnings rose to R6,223m last year from R4,571m in 1982 and contributed 50% of the group's consolidated earnings.

Institutional Land Holdings (Pty), Sage's land development arm, reflected a surplus of more than R23m over the R27.5m aggregate book value of its holdings at the end of December.

Prospects for Institutional Land Holdings, the directors, "remain most encouraging and it is currently involved in a number of innovative large development schemes in prime locations."

Sage's chairman, Mr Louis Shill, and the directors say there is sound potential for continued organic growth in each of the four operating divisions — investment and management services, insurance and financial planning, construction and land development and property investment and management.

In 1983 several milestones were reached:

- Total assets rose by 41% to exceed R486m.
- Pre-tax profit was almost R25m.
- Assets managed reached R1bn, generating taxed income of more than R80m.

The 15-year-old group has now completed three five-year cycles, including the initial five-year stage of establishment, growth and diversification, the second stage of consolidation and rationalisation, and the third five-year stage of sustained growth, further diversification and management decentralisation.

"At the same time, we believe there is considerable scope for expanding and broadening the existing framework of the divisions by way of acquisitions and new ventures."

"We believe that 1984 will be an even more difficult year for the economy as a whole, while the group is also facing higher costs of borrowing and increased taxation."

In spite of these constraints, Sage's directors believe the group has the financial strength and structure to produce "satisfactory results in these circumstances."
Row in Turkey over rail deal with Iscor

BY STANLEY UYS
London Bureau

LONDON.—A major controversy is emerging between the Turkish Foreign Ministry and the Turkish State Railways Organisation (TCDO) over a R23-million contract awarded to South Africa's State-owned Iron and Steel Corporation (Iscor).

The contract — to supply 77,200 tons of rails for the modernisation of the Turkish railway network — was awarded to Iscor earlier this month against stiff competition from Voest Alpina of Austria, Empresa Nacional siderurgica of Spain, General Steel Export of Switzerland, Stahl Export of Poland, Progress of Yugoslavia, Marubeni of Japan, Materiaux de Vosse of France, and Sankyong of South Korea.

The Turkish Foreign Ministry has strongly opposed the contract award, saying it may jeopardise Turkey's lucrative trade with the Middle East countries and harm Turkey's relations with African countries.

According to Turkish political sources, the Foreign Ministry is trying to have the contract declared void and put the tender to re-bid.

The Ministry has also made strong representations to the Supreme Co-ordination Board for Economic Affairs. The companies who lost the tender have also entered the controversy by filing a law suit against the TCDO in the state court for alleged "administrative and financial mistakes made during the tender process".

The Turkish Finance Ministry is also investigating allegations that one of the bidders received special treatment.

Iscor was apparently awarded the contract for its unit price of R198 but a detailed account of the bids issued by TCDO shows that the actual price was R211.

The financing for the Iscor contract has not been revealed.

Last month the Saudi Industrial Development Fund (SIDF) agreed on a 312-million Saudi riyal loan for the modernisation and electrification of the 577-km-long Iskenderun-Diyarbakir Railway, which includes the construction and laying of new rail tracks.

Whether the funding of the Iscor contract is to come out of the SIDF loan is not yet clear.

Iscor's Istanbul representative, Mr Ibrahim Senyay, has denied this, saying each bidder brought his own credit offer.
R14m shipyard deal

Financial Reporter

SANDOCK-AUSTRAL has landed a R13.9m contract to build a shipyard in Chile.

The Gencor-controlled engineering company won an international tender for the turnkey project at Punta Arenas at the southern end of Chile.

Export credit cover has been provided by the Export Credit Guarantee Corporation.

On completion, in 15 months' time, Sandock will operate the facility on a 50/50 basis with State-owned Asmar company which commissioned the project.

Sandock's managing director, Mr. Pierre de Villiers, said yesterday the company had been able to beat international competition because of the reputation it had developed with its Durban shipyard.

"Our repair and shipbuilding operation at Maydon Wharf has dealt with ships from all over the world and we have built up a strong standing in this market. Our good relations with Chile helped as well as our relatively close position."

The project involves the manufacture of the launching and recovery system and all the technical equipment, which will be shipped to the construction site for erection by Chileans.

The docking facility will be able to cope with ships of up to 4 000 tons.

The nearest alternative facility is 2 000km away in central Chile. The new Punta Arenas yard in the Straits of Magellan is virtually assured of most of the repair work in the Cape Horn region.

"We will be starting with a small staff and then see how it develops. A market survey shows tonnages rounding the Horn are increasing and we could be employing 1 500 people in five years from now," says Mr. De Villiers.
Rennies bid for game lodge, but no casino

By Bill Levitt

Rennies Consolidated Holdings Co has an agreement in principle to buy thousands of hectares of land in Botswana which will be developed as a massive game farm for tourists, the company has confirmed.

Mr Ted Steyn, the company's vice chairman and deputy chief executive, rejected earlier speculation that a Sun City-style hotel and casino operation would be built.

"We do not intend to build a casino," Mr Steyn said, adding that the agreement was to develop the property for tourism.

Mr Steyn said the project is a major opportunity for the company to expand its operations in Botswana and South Africa.

"It's definitely not our intention to build a casino," Mr Steyn said, adding that the project would be developed to meet the needs of people who want to visit the area for nature and wildlife.

Mr Steyn also denied reports that the company is considering building a hotel and casino.

"We are not considering building a hotel and casino," Mr Steyn said, adding that the company is focusing on developing the property for tourism.

Mr Steyn said the agreement is a significant step forward for the company and will help to create jobs and economic growth in the area.

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Steel move delays Iscor

Business Day

By Phyllela White

1990 11/15
Nedbank set on bolstering its international operations

By Bill Levitt

Mr Michael Klingman (42), a widely travelled US banker and former Foreign Service officer, has joined Nedbank's international staff in another move to boost its operations abroad.

Nedbank recently opened a branch in New York and a finance company in Switzerland.

Its foreign activities present substantial opportunities in the longer-term and other moves are being contemplated.

Mr Klingman, now deputy general manager of Nedbank's international division, has 12 years of banking experience in the US and the Far East and important international links with businessmen.

He lived in South Africa in the late 1960s, has many friends here and thinks the anti-South African feeling in the US is blown up "and of little or no consequence" to business.

"When someone needs finance, it doesn't matter what the political issues are."

After leaving university with a master's degree in finance, he had a short stint with General Electric before joining the US Foreign Service.

Six months later he was sent to South Africa as a political and economics officer, spending three years before moving to Peru.

In 1972 he returned to the US to become a junior banking officer with RepublicBank in Dallas, the country's 20th largest with assets of $20 billion.

Raising quickly up the ladder, he helped develop the bank's international division. By the end of 1974, he was off to Hong Kong to establish RepublicBank's Asia/Pacific operations.

Four years later, he returned to the US as deputy head of its European division. In 1980 he became senior vice-president responsible for Asia/Pacific.

But the world debt crisis, precipitated by Mexico's default a couple of years ago, made regional banking difficult.

When his predecessor, Mr Jan Van der Horst, died suddenly and he discovered that Nedbank was casting about for a replacement, Mr Klingman eagerly applied.

"I got tired of the pessimism and the reaction to the global debt crisis," he said. "This is the one of the principal areas of the world where internationally there is a future."

Mr Klingman discounts the anti-South Africa movement in North America.

"They are provoking emotional responses for irrational reasons. They have neither inhibited nor prevented any major corporations from continuing to do business with this country," he said.

"Banking is an apolitical issue and not an instrument of foreign policy."

While he feels it is too early for him to make definitive statements about SA banking, he believes Nedbank is truly an international bank headquartered in Johannesburg.
Phibro split leaves Anglo in the cold

MINERALS & RE

By Neil Behrman: London

Phibro-Salomon Corporation, a group of sen-

ior executives and employees intende to buy Phibro-

Moore's commodity trading opera-

Wall Street estimates that the deal could exceed $200-
million. If it comes off, Phibro-

ore would be left out of the securities business and oil division of Salomon

Brothers Phibro-Salomon is quoted on the New York Stock Exchange

Network

The deal would be significant for Minoco, which holds 26% of Phibro-Salomon Phili-

Brothers, the commodity side of Phibro-Salomon, inc-
cludes a strong precious me-

als unit and has a world-wide intelligence network.

Share prices of Minoco and Phibro-Salomon dropped after the announcement.

Last year Phibro-Salomon's pre-tax profits were $617 million on revenues of nearly $30 billion.

Salomon Brothers, the other autonomous subsidiary, is a worldwide investment banking, market-making and research firm. It made pre-tax profits of $145 million last year — the highest in its history.

Phibro-Salomon is the leading marketer of crude oil and oil products, precious metals, ferrous and non-fer-

ous minerals and metals, fertilizers, petrochemical and plastic feedstocks, agricultural products and other raw materials, made a profit of $165 million in 1985.

Timing

J. Clarence Morrison, a vice-president of Dean Witt-

er Reynolds and a Phibro-

Salomon watcher, estimates that the non-oil commodity operations of Phibro-

Brothers contributed $600 mil-

lion of revenue last year. Pre-tax profit was about $165 million.

Chris James, a partner of Scott Goff Layton in London, believes that Minoco unwillingly stands to lose an op-

portunity in the world's leading commodity business.

Reg Eccles, chairman of Metals & Minerals Research, a London consulting firm, says Mr. Tendler's "timing could be superb.

Mr. Eccles forecasts improved commodity markets next year. The new independent trading unit would be able to take advantage of dealing opportunities, leaving Minoco out in the cold.

Optimistic

But other analysts are more optimistic about a new Phibro-Salomon entity.

They say international commodity activities are falling because of distilla-

tion. Phibro-Salomon would improve one-stripped of com-

modity dealings.

Last year Salomon Brothers, which has interest-rate gurus Henry Kaufman as chief economist, was first in the ranks of US investment managers.

Besides its oil-dealing divi-

sion, Phibro-Salomon has an investment in the North American Beaufort Sea oil and gas prospect.

A report to the Securities and Exchange Commission says oil trading contributed more than 50% of Phibro-

Brothers profit in the three years to 1982. "Commodity markets have been depressed for more than two years, reducing worldwide consumption of many commodities and putting pressure on pro-

fit margins," says the report.

Tough man

Theories abound on why Mr. Tendler, who was paid $2 million last year, and several executives earning more than $1 million, wish to leave.

Some gold dealers say there was animosity between Mr. Tendler's traders and Sal-

omon Brothers.

A London gold trader says "Mr. Tendler is a tough man who likes his own way. He prefers independence."

Other dealers say Salomon Brothers wants to drop the commodity division. Mr. Kaufman is forecasting ris-

ing interest rates, which could lead to a further downturn in the world economy, and under those conditions bond markets would be a more profitable than commodity dealings.
Nedbank opens up in Cayman Islands

By Bill Levitt

Nedbank has opened overseas branches in the Grand Cayman Islands and Jersey in the Channel Islands in another bid to strengthen its international operations.

Nedbank recently expanded abroad, opening a branch in New York and a banking company in Zurich.

The bank's foreign activities present substantial opportunities in the longer term and other moves are being contemplated, said a senior Nedbank spokesman.

These latest moves follow the addition of Michael Kirchman, a widely travelled American banker and former foreign service officer, to the bank's international staff.

The new Jersey branch is in a prime Euro-currency area which also has a highly developed Euro-sterling market.

These additions will enable the bank to price finance packages more competitively.

Although the Channel Islands and Grand Cayman are internationally known as tax havens, Nedbank's decision to open branches in those areas is a basic banking decision to extend its activities on an international scale.

Mr. Rob Abrahamsen, Nedbank's chief executive, said the bank has established itself in all the major currency centres in the Western world.

"If a client needs to borrow in Euro-currencies, sterling, dollars or domestic rand, Nedbank can assist him."

Two other SA-controlled banks also have representation abroad.

Trust Bank has a banking office in London and a representative office in Hong Kong. Volkskas and the Volkskas Merchant Bank bought a bank in London which carries out banking operations as a wholly-owned subsidiary.
Plate Glass rates as first industrial multinational

By Peter Farley
Investment Editor

Plate Glass and Shatterprufe Industries graduated to the big league last year and established itself as SA's first truly multinational industrial company.

And, although the figures for the year to end-March are far from startling, the transformation of the group through its recent foreign acquisitions and domestic merger has laid the platform for future earnings growth.

A 12 percent earnings lift and a less than six percent dividend hike are spot on market expectations. But this represents only a small part of the story.

The move into glass manufacturing in SA, through the merger with Pukington and the formation of Glass SA, was the biggest development last year. But the consolidation of its Australian interests and the establishment of an integrated manufacturing business in the UK was probably more significant.

On the domestic front the most important internal factor was the improvement at FG Wood, which increased sales by 30 percent and operating profit by 25 percent. This resulted in a R5 million turnaround. Much of this can be attributed to the continuing buoyancy of the building sector, but also because of reduced overheads. Although not detailed this does suggest greater internal efficiencies.

What was a disappointment, however, was the wood operations in Central Africa — Zimbabwe, Zambia and Malawi — where profits tumbled. And although the group is not giving up hope that earnings growth can be restored in this sector it is nevertheless budgeting for another fall this year.

International growth on the wood side should consolidate operations this year, with attention being primarily focused on the more successful procurement of raw material — additional worldwide buying offices are already being established — and an extension of the group's shipping charter operations.

The year ahead is seen as one of consolidation, particularly on the international front. But this does not preclude further acquisitive expansion.

The most likely direction appears to be an extension of Solaglas's US subsidiary West Coast Glass. Until now it has confined itself to the merchandising of replacement autoglass and a move into flat glass appears the most likely development.

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An expansion through the purchase of a listed Florida-based company was almost concluded in the past couple of months. But the required earnings multiple and the strength of the inherent management meant that the potential deal fell through.

It is this latter factor which has been the cornerstone of the group's international development. This has been particularly noticeable in the UK. Through the relatively cheap purchases of James Clark and Eaton and the later addition of Windshield Enterprises and Cresstoll, Solaglas has become the largest glass merchant in the UK — four times bigger than its nearest competitor.

There are again unlikely to be any real earnings surprises this year from the Plate Glass group. The joint chairmen expect a fairly flat earnings performance on the domestic front to be complemented by a slight improvement overseas — which should make for a similar type of growth to that produced last year.

One area on the local scene which may impair earnings is the imminent entry of Wesglas to the autoglass market. With the backing of three major manufacturers this is certain to make a dent in sales.

In the future the group will no longer be listing the glass and wood operations separately on the local market. But for the time being it has no need for the capital, so sees no justification in hiving off more of the profits.

Already it has a pyramid in Placeor, which by its nature would complicate further down the line listings. There is also some extremely complicated arithmetic to be concluded before the two operating divisions could be separated.

But it would not be a surprise to see the newly formed UK holding company, also named Solaglas, to seek a listing in Britain. There is certainly more need for a capital injection there — given SA's exchange control limitations — than here.

The share stands on an historic 5.7 percent yield at the current R180c share price. The latest developments should ensure further investment potential.
Ackerman expects to cobber 'em down under

By Peter Farley

Pack 'n Pay looks set to at least match the 14 percent earnings growth achieved last year in the 12 months to the end of next February.

And although chairman Mr Raymond Ackerman will only go on record as saying he is cautiously optimistic about the current year and that sales should rise by 6 to 9 percent, turnover in the first quarter this year is already 21 percent above the corresponding 1983 period.

But the most exciting development this year will be the beginnings of an international expansion, when the group's first Australian hypermarket opens in Brisbane in November.

Mr Ackerman is not letting that rest there and reckons that there is a potential in the country for at least another eight hypermarkets. Negotiations are nearing completion for the acquisition of sites for a second store and a third property purchase looks like following.

A decision on whether to go ahead with the second store will, however, only be taken after the first has opened. But this could happen as quickly as January next year.

In the further distant future Mr Ackerman envisages an expansion into the US, but says that this development is at least a couple of years away.

The decision to go into Australia was prompted by the knowledge that retailing techniques were superior in SA. He says that there is still much to learn before the group can compete in the US.

Back at home Mr Ackerman has consistently produced a growth record that has been the envy of other retail outfits.

This was initially built around the establishment of a strong cash flow, but now more moves are being made to strengthen the balance sheet. Always clean of any significant amount of debt, it needed more assets.

Assuming the group raises earnings by 15 percent this could result in the year's total dividend rising to 90c from last year's 72c. With the share price having fallen back almost to $2.70c from $3.10c at the time of the preliminary results this puts the company on a 3.3 percent forward yield.

With newly listed Score on a forward yield of under 2.3 percent, for the same year-end, there must be room for an improvement to over 3.50c.

In a surprisingly frank discussion on allegations that the store group has the appearance of being a one-man band, he said that there is a likelihood of a management restructure in the next year or two.

For the time being, he says, the directors agree on the need for a strong, and identifiable front man. But with the group growing at its present rate, it is becoming too much for him to handle.

To this end he envisages the appointment of a chief operations officer, much on the lines of US companies.
Product of apartheid is a growth of Anglo is a new book puts giant South African group under the microscope.
OF APARTHEID SYSTEM

OF ANZIO IS A

WITH AFRICAN GROUP UNDER THE MICROSCOPE

SUNDAY TRIBUNE, JUNE 10, 1989

DR. DONALD
Minorco may be poised for Anglo American bid

Argus Foreign Service

LONDON — The scene is set for a large bid by Minorco, the Bermuda-based holding company for Anglo American, according to an in-depth analysis of the giant by Charles Zorab of stockbrokers Quilter Goodson.

He suggests that the bid might be accompanied or preceded by disposals. His guess is that it would be a further move into energy, either coal or oil and gas.

Minorco's balance sheet is very strong with virtually no debt and around $205-million dollars held in liquid funds.

Interim results showed net profits trebled to $75 490 000, and Mr Zorab predicts the full year — to end June — will double that figure.

The main thrust, he suggests, is coming from Phibro Salomon, the investment banking and commodity trading concern.

Recently there were discussions of a proposal to have off the non-oil trading side of Phibro in a management buy-out and it was expected that the oil trading side would follow.

Thus, says Zorab, was known to be the result of friction between Phibro's top management. The de-merger is now set and Mr Zorab speculates that David Tendler, Phibro Salomon co-chairman, and Thomas O'Malley, president of Phibro, have either settled their differences or have had their heads banged together by Minorco.

Whatever it is, he argues that it is worrying to have tension of this kind and it does nothing for earnings or investor confidence.
New campaign against SA products in UK

London Bureau

LONDON - The Anti-Apartheid Movement (AAM) launches a massive new campaign in Britain next week to dissuade organisations and individuals from buying South African products. The campaign coincides with the AAM's 20th anniversary.

And yesterday Mr Mike Terry of the AAM revealed the recent visit to Britain by the South African Prime Minister, Mr PW Botha, had deeply angered many people and their protests had made others aware of the South African situation.

"For many of them the easiest way of taking a stand against apartheid is to boycott South African goods," he said.

According to Mr Terry there had been a tremendous diversification of imports of South African-made goods into Britain. The new campaign will be aimed at textiles and manufactured equipment as much as tobacco.

Asked how successful he thought the AAM had been in persuading consumers not to buy South African fruit and other agricultural products, Mr Terry pointed out that a recent survey showed that while South African products were the ninth most popular in 1980, in 1984 they ranked as the third most unpopular.

But he conceded that despite their impact on public opinion, they had not been able to change government policy regarding South African imports.

In the coming weeks the movement will write letters to large concerns such as hospitals and schools urging them to exclude South African products from their bulk purchases.

The decision by the South African Government to go ahead with the removal of the Kwanga sugar plant in spite of widespread international appeals, amounted to Mr Botha being "more senior guzzlers" to the British Prime Minister, Mrs Margaret Thatcher, who spoke out against the scheme.

This attitude had outraged many people who were at first heartened by the activities of the AAM and Mr Terry claimed that their membership had increased greatly since Mr Botha's visit.

Jackson for anti-SA rally

By RICHARD WALKER

NEW YORK - The Reverend Jesse Jackson and Dr Sam Nujoma have led an explosive combination of speakers who today praised the Reagan administration's South Africa policy as its most laudable challenge to date.

Jackson, who is running for the White House, has led the platform of the opening session of a North American regional conference on "Action against Apartheid" being mounted by the US Special Committee against Apartheid.

Others scheduled to participate in the four-day event include Senator Edward Kennedy, former UN ambassador Andrew Young and Commonwealth Secretary-General Shridath Ramphal.

South Africans invited include Dr Alan Boesak and Father Smangaliso Mkhaitwa, secretary-general of the Southern Africa Catholic Bishops Conference.

Seven killed in Crossroads fire

By Mail Correspondent

CAPE TOWN - Seven people, including a mother and son, died in a Crossroads shack fire early yesterday morning.

One of the four survivors of the Crossroads tragedy, Miss Zoliswa Majah, 19, said her sisters, Themvakas, 21, Kulaswa, 6, Eliza, 8, and her brother, Stembel, 20, died in the flames.

A lodge, Miss Mombi Swartbooi, her son, Nolza, 2, and a man known only as "Tommy" had been sleeping in another room and had also burned to death.

The fire is believed to have started when a candle fell to the ground at about 5am yesterday.

"I ran out of the house screaming when I saw the flames all over. Three other people in the house got out too," Miss Majah said.

By the time the fire brigade arrived the house had already been razed.

The fire was over in less than an hour.

"We could save nothing from the house. All we could do was watch how the flames destroyed everything," she said.

Three other people, including a brother and sister, died in a fire on a farm near Vergelegen this weekend.

Mr Robert Coetzer, 26, who had been found at his farm in Ceres, died when he tried to save a nine-year-old boy from a burning petrol tank in a barn behind the house in Third Avenue, Belgravia Estate, early on Saturday morning.

Police are investigating the cause of the fire.

Jacco, 2, and Wilhelmus Davids, 3, died when a room in a house on the farm Newlands, near Vergelegen, went up in flame early on Saturday morning.

According to the Boland police they had been sleeping with a candle when bedding caught alight and the fire spread throughout the room.
SA and US money to finance Lobatse project

R15m vegetable oil mill for Botswana

By BRENDAN RYAN

A R15m vegetable oil and oil cake cattle feed mill is to be built in Lobatse, Botswana, which will make the country independent of supplies from South Africa.

It will be financed by American and South African funds and built by an international consortium co-ordinated by Botswana-based Agricultural Enterprises.

The project was singled out at a recent meeting of the Southern African Development Co-ordinating Council (SADCC), a body aimed at reducing the sub-continent's dependence on South Africa, as one of the most viable proposals put forward.

Agricultural Enterprises intends exporting the bulk of its vegetable oil production to the SADCC member countries, while its output of oil cake will be sold entirely inside Botswana as cattle feed concentrate.

The mill will have the capacity to treat 60,000 tons of sunflower seed annually to yield about 22,000 tons of oil and 35,000 tons of oil cake.

Botswana will take about 2,000 tons of oil annually and the rest will be exported to markets which have already been tied up, according to Mr Michael Lynott, managing director of Agricultural Enterprises.

He said in Johannesburg yesterday that the plant would be in production within a year and full output would be reached immediately, working three shifts daily and seven days a week.

The mill will be completely self-contained with its own power and water supplies and the capability of manufacturing 20-million plastic bottles a year.

The silos and grain-handling equipment are to be provided from Brazil, the feed mill from Italy, the bottle-making plant from West Germany, the refinery from Belgium and the oil expellers and heaters from Taiwan.

The mill will be completely computer-controlled, employing only some 180 shift workers, but it will give a major boost to large numbers of farmers in the area.

International financing for the project is being negotiated by the Connecticut-based Equator Bank, which is the merchant banking arm in Africa of the Hong Kong and Shanghai Bank Corporation.

Agricultural Enterprises has negotiated export credits in South Africa to cover a loan of R1,846m from the Industrial Development Corporation (IDC).

The IDC loan will meet part of the cost of constructing the mill's R750,000 2km-long railway spur and a six-track siding.

The Botswana government, in granting the licence for the production of vegetable oil, oil cake, maize and dairy products, has also granted Agricultural Enterprises a five-year tax holiday.

The mill is expected to save Botswana R2,5m annually in foreign exchange.

Sunflower seed for the plant will be imported from the US until Agricultural Enterprises manages to build up local supplies.

Mr Lynott said about 100,000ha south of Lobatse was suitable for dry-land sunflower farming using drought-resistant seeds.

The land is now farmed by subsistence smallholders producing maize and sorghum.

Mr Lynott said they were interested in growing sunflowers for the plant and up to 10,000 local farmers, supporting about 70,000 people, would be encouraged to grow the crop.

He estimated it would take about five years to get local production up to the levels needed to meet the plant's requirements.

Another important aspect of the scheme is that Agricultural Enterprises will be able to buy cattle from Botswana ranchers and fatten them on feedlots before delivery to the Botswana Meat Commission's Lobatse abattoir.

Many cattle are trekked long distances to Lobatse and arrive in poor condition.

Final details have yet to be arranged but under the new system the abattoir will take cattle delivered in good condition and Agricultural Enterprises will sell the cattle in poor condition for fattening before sale to the abattoir.

The project brings Agricultural Enterprises into direct competition with South African food giants, Premier Milling and Tiger Oats, which have traditionally supplied the Botswana market.

Botswana is a member of the South African Customs Union and SA companies will be able to compete freely with Agricultural Enterprises for the Botswana market.
Sol goes shopping for a luxury hotel

By CAS St Leger

Sol Kerzner has been shopping again. One of Southern Africa’s most prestige hotels may soon be operating under the Sun International (SI) banner.

The Maseru Hilton Hotel, run by the Hilton group and owned by Lesotho Government, was built in 1978 at a cost of R12-million.

Its striking hilltop building of traditional Lesotho dressed stone offered 240 luxury rooms and a royal suite with opulent accommodation, including log fires and three-sided panoramic views.

The Hilton also had a casino, operated on a concession basis by entertainment entrepreneur Mr Ami Artis’s Johannesburg-based Casino International.

The new Hilton is set to attract holiday and business crowds.

Bomb

But — in common with Maseru’s Holiday Inn (now Sun International) hotel down in the valley — it was hard-hit by the recession and political tension between Lesotho and South Africa.

Unlike the then Holiday Inn, which attracted a busy local trade, the high-on-the-hill Hilton suffered not only from its comparative isolation but also additional setbacks.

In 1981 a bomb exploded in the men’s toilets at the Hilton and bookings never looked up after that.

Then, in April this year, the casino lease between the Lesotho Government and Casino International was not renewed.

The casino doors were closed by Government seal and the future looked a little bleak for the beautiful hotel.

SI’s marketing director, Mr Stewart Bannier, said negotiations had taken place for the takeover of the whole hotel — not just the casino operation.

“We expect to make an announcement soon.”
SA exports forge ahead

By HOWARD PREECE

SOUTH African exports bounded up sharply in May to R2 156m, the highest monthly level of the year so far, according to preliminary figures from Customs and Excise.

Imports also reached the largest total to date for 1984 at R1 659m.

The net result, however, was a trade surplus of R287m — the best performance yet of the year.

In April, the surplus was only R22m from exports of R1 659m and imports of R1 681m.

The Customs figures include exports of gold, both bullion and Krugerrands, and imports of oil, and military equipment.

They are, however, only provisional and should normally be treated with caution.

The official figures come later from the Reserve Bank.

Sometimes, though, Customs comes extremely close to the mark.

According to the Reserve Bank, total exports for the first quarter of this year were R5 867m, whereas Customs puts the figure at R5 876m, virtually identical.

On the import side, the bank says the quarterly total was R5 627m, against the earlier estimate of R5 113m from Customs.

The data from Customs shows that South Africa had a favourable trade balance of R534m for the first five months of this year.

This came from exports of R5 203m and imports of R5 937m.

Exports have shown a modest 7.8% rise over the level for the same period for 1983, when the figure was R6 794m.

In volume terms, that almost certainly represents an actual decline.

There must be some hope, however, that the hefty rise in the May figure points to a better performance over the second half of 1984.

Imports, on the other hand, have been racing ahead.

The R5 638m total for January to May this year was 45% higher than the 1983 equivalent from Customs of R5 680m.

It is quite likely, however, that the recessionary conditions that are expected to characterise the economy in the second half of this year will bring about a noticeable slowing in the rate of import increase.

But it has always to be remembered that the trade figures are not the same as the current account of the balance of payments.

Thus, latter, and more important, figure includes the large net deficit that South Africa runs on services — dividends, interest payments, insurance, shipping etc.

The country is at present running a monthly shortfall on services of at least R300m — it was around R340m for January to March.

So the overall current account will certainly be well in the red for the first half of 1984.

There was an official current deficit of R488m for January to March, which the Reserve Bank reckons was equivalent to nearly R3 000m on a seasonally adjusted annual basis.
New limits for steel shipments to the US

BY PRISCILLA WHYTE

PRECISE tonnages of steel products that may be exported to the US have been published in the Government Gazette.

The voluntary US-SA restraint agreement cuts steel exports to 6.42% of US steel consumption.

Until March the quantities are:
- plate — 55 000 tons,
- hot rolled coils — 80 000 tons,
- cold rolled coils/sheets — 55 000 tons,
- galvanised sheets/coils — 56 000 tons,
- reinforcing bars — 9 000 tons,
- structural sections — 70 000 tons,
- and pipes/tubes — 48 000 tons.

No semi-finished products or rails and track accessories may be exported to the US but 10 000 tons of wire rod, 8 000 tons of drawn wire, 16 500 tons of other wire products and 2 500 tons of bright bars may be shipped.

SA's total exports to the US may not exceed 400 000 tons for the 12 months to March.

In 1982 SA steel sent to the US was 507 000 tons, in 1983 it was 484 000.
AN INQUIRY into corruption in Namibia this week developed into open confrontation between Thirion Commission chairman Mr Justice Thirion and the country's leading gemstone producer.

Then the hearing ended abruptly and the judge left town — apparently to write his report on the hearings dealing with the diamond industry.

The commission's hearings have been indefinitely adjourned, but it is understood there will be no further hearings on the industry.

This week's hearings began with an uncompromising examination of the statutory SWA Diamond Board and developed into a confrontation with the country's leading gemstone producer, Consolidated Diamond Mines (CDM).

Namibia's Auditor-General doubles as chairman of the Diamond Board, Mr P J Malherbe, was subjected to a three-way grilling in the witness stand this week.

**Tough**

For two tough days he was questioned by commission chairman Mr Justice Thirion, chief investigator Mr A G Visser, and prime of the territory's self-appointed economic ombudsmen, Mr Eric Lang.

But when it came to the turn of CDM resident director Mr Doug Hofe, the grant of the world's gemstone producers fought back with a contingent of lawyers flown in to Windhoek for the fray.

CDM's trade secrets were not to be split to the public, even at the sessions of a commission into the government's financial affairs.

The application managed to halt the investigation's exposure of "confidential" facts of gemstone business.

The commission resumed its work for the first time in months on Wednesday when Mr Justice Thirion ordered commission members and police to inspect documents of the Diamond Board.

This followed evidence by a special investigator for the probe, Mr Martin Grote, that he could not obtain access to the board's documents.

It was found, however, that the board's documentation did not differ from that already gathered from the Mining Commissioner's office in Windhoek.

At one stage Mr Justice Thirion remarked that everything surrounding the Diamond Board appeared to be a secret.

"What is the point of a commission when all you get are smoke screens?" he asked.

Earlier Mr Grote had recommended in a report to the commission that the board should be disbanded because it was toothless.

The board did not and could not fulfil its functions while the interests of De Beers, which owns CDM, were identical to those of the board.

**Essence**

The board could not exercise control over Namibia's diamond exports because its most important functions had been delegated to employees of De Beers, Mr Grote submitted.

The board had no inspection faculties, no inspection agent and no inspection staff overseas or inside the country other than CDM employees.

Because independent figures on the pricing of Namibia's diamonds were hard or virtually impossible — to come by, inferential statistics had to be used to try to discover if any transfer pricing could have taken place.

Mr Grote testified that during recent years, apparent discrepancies emerged between prices declared locally by De Beers and sales values abroad.

Over five years this meant the state could have lost taxable income on more than Nt. billion worth of diamond sales, a loss which could be accounted for by transfer pricing.

Mr Grote said he had always believed all Namibia's diamonds were sent to London.

But he had discovered from confidential documents that 45% of the stones went to Lucerne in Switzerland.

The investigator, Mr Visser, told the commission after a lengthy cross-examination of Mr Malherbe, that he thought virtually every member of the Diamond Board was a member of CDM or De Beers.

From the minutes of Diamond Board meetings over the past few years, Mr Justice Thirion picked out a number of items which proved embarrassing to the chairman of the board.

It emerged, for example, that there was a growing vendetta by the board against Mr Lang for his incessant investigations into the diamond industry.

During exchanges between Mr Lang and Mr Malherbe some dramatic disclosures of Mr Lang's undercover informants on the diamond mines and government departments emerged.

The board had done nothing to check his claims that CDM was engaging in overmining its diamond reserves for the past few years, Mr Lang said.

**Substantiate**

Nothing had been found to substantiate these allegations, Mr Malherbe countered.

On Thursday the judge described a document by Mr Hofe, rejecting Mr Grote's findings, as "an insult to even the lowest form of intelligence."

He said he hoped some corrective action would emanate from the commission's findings reported to the Administrator-General over the past two years.

Justice Thirion acknowledged that the country had gained a lot in taxation from the diamond industry over the years.

But the question remained whether the country had received its full due.

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**By DAVID PIETERS Windhoek**

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Italy climbs food market exports to SA by 3% last year
The signing of the Konzum imports and the Kruger agreements earlier this year opened up a new era for Lowveld trade. The Kruger agreements have not only provided opportunities for local firms to establish themselves in the region, but also encouraged foreign investment. Lowveld's geographical location and its proximity to major markets make it an attractive destination for businesses looking to expand their operations.

Mr. Mabula, the regional manager of the Lowveld Industrial Development Corporation (LIDCO), stated that the agreements have resulted in a surge of new projects in the region. "The agreements have not only provided a platform for local firms to do business, but also attracted foreign investors," he said. "We have seen a significant increase in the number of projects being developed in the Lowveld region."
Sasol aids U.S. gas production

A SASOL team has assisted the United States in its first production of synthesised natural gas.

During the past few weeks the gas, produced from lignite, or brown coal, has been pumped into existing natural gas pipelines in North Dakota, the culmination of a 10-year co-operation programme between Sasol, Lurgi of Frankfurt and the US syndicate, Great Plains Gasification Associates.

Development of the technology, which began in pre-war Germany, has been modified and enhanced by Sasol and Lurgi over 30 years.

Sasol currently produces almost 100-million cu m of gas a day. When the American plant in Beulah, North Dakota, reaches full production it will produce 3.6-million cu m — enough to heat 260,000 American homes.

The South African team of 30 men with their wives and children, most of whom will return home at the end of November, arrived in Beulah to sub-zero temperatures with snow at car-roof level.

During their work in the US, the men experienced blizzards so severe that they were forced to remain in specially equipped rooms for up to three days at a time.
Rothmans UK future in doubt

From Christine Mack

LONDON — Rothmans has lost a "clear identity" in the cigarette war, according to a leading London stockbroker. The shares should be sold.

For "identity" read ownership. Since March when Dr Rupert's Rembrandt Group agreed with Philip Morris to restructure their interests in Rothmans International, the tobacco company has been rudderless.

Now rumours mount that Philip Morris has its eyes firmly fixed on taking over Imperial Tobacco (Imps) and that would mean very bad news for Rothmans and Rembrandt.

The March agreement left Rembrandt with 44 percent of the votes in Rothmans, while Philip Morris has 25 percent.

But if Philip Morris has its sights set on Imps, the balance of power at Rothmans would have to be overturned.

Either party, for instance, must offer its shares first to the other in the case of a sale. And surely Philip Morris must sell if it wants to concentrate on Imps.

In trade terms - at least as London observers see it - Imps is a better investment than Rothmans, whose name is inexorably linked to the declining international gasp for cigarettes.

To be sure Imps's attempts to diversify into products as far removed from "gaspers" as chicken raising, have not been successful.

But Rothmans hasn't diversified its image at all, despite its Dunhill, brewing and domestic appliance businesses.

At present the talk is just talk. The rumours of Philip Morris's predatory strategies have circulated in the London market for more than a year.

But the shares of both Imps and Rothmans International are now beginning to move.

It looks as if Doctor Anton will have to play another piece in this chess game.
Barlow Rand set to bid R400-m for UK group

By Peter Farley
Investment Editor

Barlow Rand is preparing to bid for UK agriculture and industrial group J Bibby and Sons plc. The move, if successful, could cost more than R400 million.

While final details have not yet been worked out, it appears this is just the first step in a major offshore growth phase by SA’s leading industrial conglomerate.

Although the bland corporate statement issued by Barlows says only that it has “entered discussions that may lead to an offer being made”, the result seems to be a foregone conclusion.

Such expansion is necessary for Barlows to retain its growth record of the recent past.

Barlow Rand has been listed on the LSE for some time, as on other international exchanges, but has chosen not to use this course for acquisitive growth.

EXISTING STAKE

The SA marketplace is becoming more finite and industrial companies are now being forced overseas if they are to continue to expand.

Not only does Barlow Rand already effectively control 26 percent of J Bibby, through a stake held by subsidiary Tiger Oats, but the Barlows chairman, Mr Mike Roschol, and his deputy, Mr Warren Clewlow, are on the Bibby board.

That 26 percent could net Tiger Oats some R110 million if the deal goes through.

Bibby has posted eight consecutive years of profit growth and reported the equivalent of R17 million pre-tax profit in the six months to end-June on turnover of R201 million.

In the last full year, to end-December 1983, the group paid a total 5,64p in dividends on earnings of 21,8p.

This figure will, however, be diluted to the rise in the issued share capital to 90 million ordinaries from 59,7 million at end-1983.

Its current London Stock Exchange share price of around 217p places the group on a 15 times earnings multiple.

There are now 90 million shares in issue after a one-for-two cap issue last year. This gives Bibby a total market capitalisation of £198 million, or R407 million at current exchange rates.

Such rating is well above what local investors are used to pay, considering the 7 and 9 PEs respectively offered by Tiger Oats and Premier Group.

Barlow Rand will, however, pay this kind of money only if it offers a reasonable premium over prevailing rates as it says it would like to see Bibby’s LSE listing continue.

The retention of the listing will certainly play an integral part in future expansionary development.

Besides from then being able to use scrip for acquisitive growth, the higher profile of a listing will assist marketing and promotional exercises.

Bibby in recent years has diversified extensively from its traditional base and now has virtually an equal split of both sales and revenue from agriculture and industrial operations.

The agriculture side comprises animal feeds, proteins, seeds and basic livestock and arable farming. The industrial side includes paper manufacturing and converting, hospital and laboratory supplies and specialised industrial equipment.

Mr Roschol and Mr Clewlow were not available for comment this morning.

But a statement by the company quoted Mr Clewlow as saying: “The current negotiations reflect the implementation of our strategic thinking. If successful, the substantial overseas investment will provide Barlows with a springboard for significant international expansion.”

“Barlows is already a dominant force in many areas of the South African economy. It is necessary to expand internationally in order to maintain our long-term record of growth and profitability.”

He confirmed that negotiations were at an advanced stage and that a further announcement could be expected soon.
Waltons moves into Australian market

By Paul Dold
Financial Editor

Waltons is going ahead with a programme to open a chain of stationery outlets in Australia. The development first mooted several months ago has now been approved and two of the group's senior management, Mr Richard Heaselme and Mr David Hopkyns, left for Sydney this week.

Waltons managing director, Mr Frank Roberts, said the programme is a major expansion for the group. "We have made in-depth studies of the market on two occasions and are well satisfied that there is substantial potential in Australia."

Waltons is the second Cape group to enter the Australian market — the first was Pick 'n Pay which is opening the first hypermarket near Brisbane in November.

Mr Roberts said that Waltons' planning is at an advanced stage and the first store should open soon.

Although Waltons is tight-lipped on export opportunities it seems more than mere coincidence that the entry into Australia follows the takeover of the DRG group by Waltons and CNA.

This effectively brought a huge DRG plant into Waltons — it can more than supply the entire local stationery market — and the group will clearly be looking to export.

Waltons is due to announce half-year results in October and while Mr Roberts declines to comment on likely earnings, he said the group is running to budget in spite of the recession.

Stationery seems recession-proof and the group should be able to repeat last year's 25 per cent rise in operating income.

Last year earnings per share rocketted 45 per cent on a like-for-like basis and the three times covered dividend was raised 42 percent.

Profits from associates spurted from R327.714 to R1.3m and pre-acquisition taxed losses held the tax rate in check.

Waltons, in spite of its discounting operations, is able to achieve more than satisfactory return on sales through its integrated operation.

The group has been expanding its retail division and now has 49 stationery stores. A major new market for Waltons is computer stationery and accessories and Mr Roberts says a growing profit contribution is forecast from this segment.
Embattled Israel
draws SA investors

SOUTH African investment in Israel is increasing — in spite of an Israeli economy which at first glance appears to be a shambles.

Israel's inflation rate is 400%, the balance of trade deficit is $6-billion, and the national budget is running into a serious deficit.

A personal overdraft can cost 60% a year, and the shekel falls daily against the dollar by between 0.2% and 1%. The dollar has become Israel's unofficial currency.

It sells on the black market at 20% above the official rate.

**Tax reasons**

A foreign businessman says investments in Israel are always calculated in dollars. Only for tax reasons are accounts kept in shekels.

Israel's system of indexing, an attempt to cope with inflation, means that salaries rise every month, and so does the price of virtually every commodity.

The economic problem has been compounded by the recent elections. Of the 22 parties in the election, 16 secured seats in the Knesset.

The two largest parties, Likud and Labour, failed to gain a majority.

A businessman involved in Israel say that in spite of the appearance of crisis, the economy is functioning along and expanding sufficiently to justify increased investment.

A South African company is considering setting up a business in Israel. The company is planning to produce a new product which is not yet available in South Africa. The government in Israel is offering tax incentives to companies that invest in the country.

**Manpower**

Mr Levy says Israel's prime asset is manpower. Its natural resources are limited to a few minerals which can be extracted from the Dead Sea. Israel's skills add value to imported raw materials which are processed for export.

The $85-million of exports to SA in 1983 consisted mainly of electronics, medical equipment, computer software, security and safety products.

Israel's 4-million population generates a greater gross national product than SA's 32-million population.

Cape Gate, a South African company with assets exceeding $200-million, has been conducting business in Israel for more than 10 years and holds $25-million of assets in Israel. Sources in Tel Aviv say Cape Gate's chairman, Menelal Kaplan, personalities much of SA's confidence in Israel.

**Bank deal**

Mr Kaplan is chairman of the Israel United Appeal Fund, which drew most of its 1983 income from SA. In 1979, Cape Gate signed an agreement with a local Israeli commercial bank. In an equal venture, the banks established the Discount Bank Investment Corporation to stimulate investment in Israel.

Mr Levy says commercial reasons for investment in Israel abound. He speaks of the 25-year-old encouragement of capital investment law, which offers foreign money an attractive haven.

**Grants**

Manufacturing investment receives grants and loans up to 75% of cost in some areas, and a company tax rate of 30% is guaranteed for seven years compared with a normal 66%. Last year the scheme attracted $250-million in investment.
SA pays for ignoring early '80s gold price

The Star Bureau

LONDON — South Africa is now paying for its failure to abolish exchange controls in 1980-81 when a runaway world gold price provided a fine opportunity, according to The Economist.

Referring to the recent Barlow Rand-Bobby deal, it says most of South Africa's big business groups would like to have more of their interests abroad, caught up as they are in worsening recession at home.

Barlow, it adds, is ahead of the pack in this respect. But "there are a host of problems for other South African companies wanting to follow in its traces. A battery of exchange controls still impede corporations and individuals resident in South Africa." Even if these were reduced, the depreciation of the rand (down by 35 percent against the dollar in the past two years) is now a deterrent to exporting capital.

The Economist predicts the Government may become worried about money flowing out and other governments may be even more worried about money flowing in "from such a source."

"Businessmen think the SA authorities made a bad mistake by not dismantling or at least selectively waiving exchange controls during the 1980-81 gold boom. There would still have been obstacles to overseas investment, but almost any South African company that had invested abroad then would be showing a handsome profit now,"
SA group to take over Lesotho hotel

The South African hotel group Sun International will take over the management of Lesotho's Hilton Hotel from October 1, it was announced yesterday.

The hotel, which is owned by the Lesotho Government, will be renamed the Lesotho Sun.

A spokesman for the hotel group said the Lesotho Government and Sun International had formed a joint venture company, Lesotho Sun (Pty) Limited, which would lease the hotel from the Lesotho Government.

The hotel was opened in 1979 and comprises 250 bedrooms, convention and banquet facilities and a casino.

The spokesman said reservations could still be obtained through the Hilton Hotel's sales office in Johannesburg until September 30. Thereafter enquiries should be made at Sun International's central office in Johannesburg.
Burgeoning of SA business across the seas

By TONY KOENDERMANN
Financial Editor

IN THE past two decades, a couple of dozen South African companies — some of them quite small — have bought or established foreign subsidiaries.

They range from Anglo American Corporation, with its $1 billion Umeme subsidiary in Uganda, to Brenthurst Holdings, into a Bulgarian property developer, Deloitte Hatchins & Sells in New York, you need to look to the future.

The internationalization of South African business seems to be picking up speed. Barlow Rand’s acquisition of BP’s share of its joint venture business in Africa is significant, not only in so far as Barlow Rand is a British company with an annual turnover of R500 million, but also in that it was structured in a way that it leaves money for the country.

This shows that even with the rand’s declining value, there is an interest in international currency investments, it is possible for South African companies to expand internationally.

The story of Barlow Rand is a fascinating one. When BP announced its intention to sell its share in BP Southern Africa to Barlow Rand, Mr. Barlow Rand, the company’s managing director, flew to London to negotiate the deal, an out-of-court settlement was agreed upon.

The negotiations were not easy, but the deal eventually went through, with Barlow Rand acquiring BP’s share in the joint venture for R500 million, a considerable amount of money for the country.

The joint venture, which was set up to exploit the oil and gas reserves in the southern part of Africa, is expected to be profitable in the long term. The acquisition of BP’s share will give Barlow Rand a significant stake in the venture, and should contribute to the company’s profitability.

Smith wraps up a US deal

C G SMITH, South Africa’s fourth largest industrial conglomerate, announced this week that it had acquired a controlling interest in a US packaging company called Priscon Corporation, for $38 million.

In expanding its international interests, Smith is building on the success of its parent company, Barlow Rand, which a week earlier took its US packaging business, B&B, public.

President Priscon, which has annual sales of R600 million, is one of the leading food packaging companies in the US.

Priscon Packaging, which has annual sales of $38 million, is a leading supplier of food packaging to the retail and foodservice industries in the US.

The acquisition is expected to be completed within the next few months, and should provide a significant boost to Smith’s international operations.

Playing the costly game of going international

GOING multinational can be a painful and costly business. Not all South African companies have the natural advantages that Barlow Rand enjoys. The company possesses one of the most modern industrial complexes in the world, with a state-of-the-art technology and a highly skilled workforce.

Mr. Barlow Rand, the company’s managing director, has a long-term view of the company’s future, and is determined to remain competitive in a highly competitive market.

South Africa as when and where needed.

If a company is operating in a number of South African companies, it can be considered a multinational. And when it comes to international trade, the benefits are clear.

The ability to raise funds abroad is a vital ingredient, both in the setting up and in the subsequent operating phase of the company.

Exchange control regulations are still too restrictive to enable a company to rely on getting funds from abroad to finance its international operations.

The next leg in the international acquisition seems likely to be made by the aggressive Sun International. When Mr. Barlow Rand left South Africa last year, he had a good track record at barlow rand, but he also has a considerable track record in London.

It is possible that the company is preparing to make a bid for the Sun International, a company that has been on the radar screen of many international investors. The Sun International is a well-established company with a strong track record in the international market.

Limited local markets are cramping companies

The most common reason for a company to go international is simply that the South African market is too small for the company.

As the Financial Mail said of Anglo American in its own report, "Anglo American’s executives are keen to diversify their investments beyond the country’s borders." This is a sentiment that is shared by many companies.

TIGER OIL, has had a one-thousand-dollar business in Bibly since 1974, has paid out effectively in cash in South Africa in 1974. Barlow Rand is a company that has a long-term view of the company’s future, and is determined to remain competitive in a highly competitive market.

The ability to raise funds abroad is a vital ingredient, both in the setting up and in the subsequent operating phase of the company.

Exchange control regulations are still too restrictive to enable a company to rely on getting funds from abroad to finance its international operations.
Brazilian move by East Daggafontein

Own Correspondent

EAST Daggafontein has further expanded its considerable exploration interests in South Africa and has moved into Brazil.

In May this year the company exercised its right to acquire the entire issued share capital of TG Exploration and June Exploration which were the exploration arms in South Africa of Texagulf.

The original announcement in December last year gave some details of the exploration activity in which the two companies were involved.

This was primarily linked to the extensive gold search being carried out by JCI.

Interim results reveal that TG Exploration is managing a joint venture with Anglo American Prospecting Services to prospect an area of some 6,000 ha in the Eastern Transvaal.

East Daggafontein has also bought for R200,000 "certain strategically situated mineral rights" in the district of Klerksdorp.

"Although it is not anticipated that these mineral rights will be exploited in the near future, your directors are of the opinion that they could be of significant value in the longer term," says chairman Mr Adol Lundin.

50 percent interest

East Daggafontein's move into Brazil involves a gold exploration project in the state of Bahia where it holds some 16,000 ha of ground under option.

"It has subsequently entered into a joint venture with a foreign group in terms of which that group will earn a 50 percent interest in the joint venture upon the expenditure of Canadian dollars 300,000," Mr Lundin says.

TG's share capital has been increased by R12,5m since the end of May and the company is to be renamed ED Exploration.

East Dagg's taxed income for the six months to end-June dipped to R342,000 from the R398,000 earned in the first half of 1983.

The interim statement shows that East Dagg's royalty income from the tributing agreements with Grootevei and Mariseva plummets to R177,000.

A jump in interest received to R700,000 (R133,000) as a result of the inflow of funds after the rights issue in February was the savior for the company in the six months.

The rights issue raised some R25m to pay for East Dagg's participation in the Daggafontein dump re-treatment operation being set up by East Rand Gold and Uranium.

Uncertainty of income

The outlook for the rest of the financial year is poor and Mr Lundin says it is unlikely that a profit of "any significance" will be shown.

Reasons for this are the uncertainty of income from the tributing agreements and the level of exploration expenditure likely to be incurred by TG.

East Dagg has also advanced R425,000 to Springs Dagg Gold Mines which is its share of shareholder funding of that company's operations since October 31 last year.

Springs Dagg is being managed by Egoli which holds 75 percent of the company with East Daggafontein holding the balance.

Egoli has made the development of an operating mine at Springs Dagg a priority and is involved in detailed planning at present.

Egoli hopes to obtain a separate listing for Springs Dagg but at the moment the company is losing money and is reliant on the resources of both Egoli and East Daggafontein.

East Dagg's major local interest is its participation in the Daggafontein dump re-treatment operation being set up by Ergo.

A subsidiary of East Dagg, Dumco, will sell dump material to the new treatment plant once it is set up.
Messina to shed mining interests in Zimbabwe

Own Correspondent

JOHANNESBURG — Messina is negotiating to sell all its mining interests in Zimbabwe to the Zimbabwe Mining Development Corporation.

The group said in a statement released yesterday that negotiations have reached an advanced stage and agreement in principle had been reached whereby Messina would provide certain technical and engineering services to the mines in question for a minimum of three years.

The mining interests to be sold include Messina's investment in MTD (Mangula) and consist of three gold and two copper mines.

Bonds

Payment will be through the issue of non-resident government bonds bearing interest at four percent per annum and redeemable in foreign currency in equal annual instalments over six years.

Messina's financial director, Mr. David Dry, said yesterday the deal would have minimal effect on Messina's results.

"We have received nothing in the way of dividends from our Zimbabwe operations for the last three years and in our accounts have already provided against the investments in full."

"The price we are negotiating will be in the region of Z$24m to Z$55m remittable over six years. That means we should get out about Z$1m a year over the next six years if the Zimbabwe Government meets its obligations."

Mr. Dry said Messina had actually negotiated a deal to sell its Zimbabwe mining operations to one of the major public companies based in Harare.

He declined to name the company.

Approval

"However, when we submitted the deal to the government for approval, it refused to allow the company involved to borrow the foreign currency outside of the country to pay the purchase price."

"The government then said it wanted to buy our mining interests itself. We had previously wanted to close one of the copper mines down but the government forced us to keep it going through providing emergency loans," he said.

Messina's remaining South African copper mining operations now account for a tiny part of the group's business which is dominated by its stake in the car manufacturer Nissan South Africa.

Currently mining provides about Z$25m of Messina's total annual turnover of around Z$900m.
R12m smooths the way for edible oil plant in Swaziland
Bank of England rescues major UK bullion house

From NEIL BEHRMANN

LONDON.—The Bank of England has rescued the banking and gold operations of Johnson Matthey, one of London’s five major bullion houses, and a leading international precious metals dealer.

Net assets of Johnson Matthey Bankers were £102m (£212m) at the end of March.

The support operation involves Charter Consolidated which owns 27.9 percent of the banking subsidiary’s holding company, Johnson Matthey Plc.

London clearing banks and bullion houses are also forwarding cash.

This is the first Bank of England rescue since the secondary banking crisis in the early 70s.

Purchase

And according to city banking analysts, the first outright purchase by the “old lady of Threadneedle Street”, since the 30s, authoritative sources said that bad and doubtful debts amounted to £150m.

The announcement astounded the city. Johnson Matthey’s shares were suspended at 240p and Charter’s shares dropped from 241p to 216p before recovering to 223p.

The Bank of England and other interested parties refused to disclose details of the bank’s assets.

The bank emphasized that the problems did not involve currency trading activities nor the bullion business of the bank.

The Bank of England stressed that “under its new ownership, Johnson Matthey will continue to participate in the London gold fixing and the London gold market will be carried on in business as normal.”

Johnson Matthey is one of the five London bullion houses which meet twice a day and fix the price of gold.

By the bullion price dapped $2 to $145 in Hong Kong and the market was quiet and subdued following the news, but Mr Robert Guy, bullion director of N M Rothschild and chairman of the London gold market insisted that the market was sound and that Johnson Matthey would continue to be a member of the gold fixing club.

He also stressed that the failure was caused by commercial loan activities rather than bullion business.

As part of the rescue Charter will inject £55m of capital into the bank’s parent Johnson Matthey Plc. The capital will be in the form of 25m eight percent convertible preference shares and can be converted at any time into 44.5m new ordinary shares.

Charter shareholders must accept the new issue. On full conversion, Charter will own 46 percent of Johnson Matthey’s ordinary shares.

The chairman of Johnson Matthey, Mr Ron Hewitt, has resigned and has been replaced by Mr Neil Clarke, deputy chairman and chief executive of Charter.

Johnson Matthey Plc is itself pumping in £50m into Johnson Matthey bankers.

The company also said that the Bank of England is paying a “nominal consideration” for the bank.

A consortium of banks will provide Johnson Matthey Plc with “a substantial standby credit in addition to existing borrowings. The facility is believed to be £250m.

The Bank of England said that the institutions providing the assistance included, the “principal London clearing banks, members of the London gold market and other banks.”

The Bank of England decided that, as a matter of prudence, substantial additional provisions ought to be made against these loans which would have resulted in the loss of most of the capital of the banking group.

The latest annual report of Johnson Matthey Plc shows that it lost £28m on jewellery businesses in the United States in the year ended March 1984.

The unsecured loans of the company were £565.5m, while bank loans and overdrafts and other provisions were £144m.

Capital and reserves of the group were £581.4m.

Net assets of Johnson Matthey Bankers at the end of March were £102m and total assets of the banking group were £2,090m.

But included in these assets were metal stocks, mainly gold, silver and platinum valued at £1,209m and “debtor” including loans and overdrafts of £789m.

Net profits of Johnson Matthey Plc which is the marketing agent of Rusenburg Platinum fell from £34.6m to £20.7m in the year ended March 1984.

But after “extraordinary items” of £261.1m notably the United States jewellery business disaster, shareholders incurred a loss of £54m.
Tiger Oats looking for major foreign purchase

Argus Correspondent

JOHANNESBURG — Tiger Oats is looking to return to the international investment arena with another major offshore purchase, following the sale of its stake in Bibby for R164-million.

New chief executive Mr Robbie Williams says the recent sale of the group’s 29 percent stake in British food and industrial group Bibby to parent company Barlow Rand does not signify a retreat for Tiger.

Mr Williams accepts that there is insufficient scope in South Africa to perpetuate the growth of Tiger shareholders. He has been accustomed to

While the group will continue to expand locally by both acquisitive and organic means, it will be able to grow through a meaningful foreign purchase that long-term growth will be generated.

Although some may argue that it would therefore be wiser to retain the stake in Bibby, Mr Williams does not agree. He says the 29 percent was insufficient for Tiger to make Bibby work for it, and that Tiger did not have the resources to substantially increase the shareholding.

The growing diversification of Bibby away from food more than 50 percent of earnings now come from the industrial operations — and the fact that the investment was on the books at R7-million to yield a net R157-million profit adds further strength to the argument to sell.

But while Tiger will be seeking to focus any expansion plans on the food industry, Mr Williams says that the group is looking more towards food-related products with higher profit margins.

This trend is already evident in South Africa, with Tiger’s bakery division expanding into confectionery. Other divisions are also expanding with the addition of value-added products that offer a better return than the traditional, more basic, products.

EVERYONE HAS TO EAT

Other areas which Mr Williams said Tiger was examining included sauces, puddings, cereals, sweets and possibly even a return to the softdrink market.

Although he accepts that the basic food side does give the group a cushion in difficult economic times — the old adage that everyone has to eat — he points out that the drought has made business difficult.

It is also a highly competitive business which, coupled with the restrictions on margins imposed by regulated prices, puts added pressure on profitability.

The past year has been an eventful one for Tiger, but with the sale of both Bibby and its Metro stake it has cleared the decks for a more meaningful investment. But Mr Williams says the next 12 months, the current financial year ends in a couple of weeks, will be one of the toughest.

Nevertheless, he says that he is extremely relaxed about the high rating the stock market has accorded the company’s shares.

The shares added 80c to 5100c in the days following the announcement of the Bibby deal, but have subsequently fallen back a little, which places them on a 3.1 percent dividend yield against the sector’s 6.5 percent average.

Although it will not be easy to continue growth this year the company is certainly starting off on the right foot with a clean balance sheet and money in the bank.

At the halfway stage the group produced pre-tax profit up to R424.4-million from R544.1-million on turnover up to R1-billion from R947-million.

The injection of cash will not affect the current annual results for the year to end-September, but the market is still looking for an improvement over the 306c a share earned last year.

As the group is likely to be almost immediately liquid this month a less conservative dividend policy, cover is now nearly four times, may be anticipated.
so companies look abroad.

Poor prospects, management. THE REX COLUMN

and world scene

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THE ECONOMY
Barlows gets 90% of J Bibby

Own Correspondent

JOHANNESBURG — Barlow Rand's bid for control of J Bibby of the UK has been "highly successful," Barlows said yesterday, with its ownership reaching 90.5 percent of Bibby shares at the close of the offer on Friday night.

"That level of ownership suits us very well," Barlows' chief operations officer, Mr. Warren Clewlow, said, "We intend to maintain the Bibby listing on the London Stock Exchange, so Barlows has the currency and geographic spread for further overseas acquisitions when suitable opportunities arise.

"As a result of the Bibby deal, approximately 10 percent of Barlows shares are now owned by individuals and institutions in the UK.

"This strengthening of our shareholder base will also contribute to the achievement of our International Development plans."

Interests

Bibby — a diversified agricultural and industrial group whose interests are predominately in the UK — this month expanded its industrial base by buying the Barlows materials handling businesses in the UK, Europe and the United States.

"The enlarged Bibby is set to perform well in the future," Mr. Clewlow said.

Because Barlows succeeded in getting control of Bibby by the first closing date of its offer on Friday, British takeover rules require that the offer remain open for a further two weeks. Only at the end of this period will Barlows know how much more it owns of Bibby than the current level of 90.5 percent.

NEW LOWS
INVESTMENT

The great capital trek

In the face of recession, as the downside of the cyclical SA economy again asserts itself, local companies, large and small, are looking increasingly at acquisitions and investments abroad. SA-controlled subsidiaries are rising like mushrooms in Europe, Australasia and the US, in sectors ranging from construction to stationery.

The present spate of foreign investment flows against the currents of restrictive exchange controls, the wilting rand, and domestic despondency. The Reserve Bank, haunted by visions of capital flight, monitors every deal — and for the most part disallows remittances of funds, forcing companies to borrow offshore. Despite all this, the trend to secure subsidiaries abroad has never been stronger, and the confidence of SA companies to establish themselves in foreign lands is at an all-time high.

It is a trend that bears stern examination. The pay-off, in theory, is considerable — much-needed geographical diversification, footholds in unlimited and otherwise inaccessible markets, increased exports, and eventually a flow of dividends back to SA. But in practice the pay-off remains largely unrealised.

The economy has already paid a price, in capital losses and diverted resources, for the unbridled enthusiasm with which SA companies have launched themselves on the world. Cautions Ronnie Lubner, chief executive of Plate Glass (PGSI), one of the few local companies to profitably invest abroad. "If this trend continues there will be a lot of empty bodies and burst fingers."

SA's largest and best-managed groups have long partaken of the international pie. To a large extent, the overseas acquisitions of these giants were simply a function of their scale — domestic markets were too easily outgrown. SA's only true multinational, Anglo American Corp (AAC), shook off its SA chains decades ago, establishing itself through a myriad of pyramided holding companies in global markets as diverse as finance and oil.

AAC vies with Royal Dutch Shell and Seagram of Canada as the single largest foreign investor in the US. But the true extent of AAC's holdings — channelled through Bermuda-based Munroce and UK-based Consolidated Gold Fields — almost defies analysis. "If you want to dig up the full extent of AAC's investment in the US," Ruth Kaplan, who researched AAC's US investments for the American Committee on Africa, told us, "You'd better be prepared to spend years doing it."

Anton Rupert's Rembrandt also took the international plunge in the Sixties, more surreptitiously and notably less successfully than AAC. Rembrandt now holds considerable investments abroad, mostly through its Luxembourg intermediary, Rupert Foundation Societe Anonyme Rembrandt's excessive lechery has probably sparked more takeover rumours on Wall Street than any other foreign company, and analysts continue to predict that a US acquisition is imminent. But, as far as overseas investments are concerned, Rembrandt's annual reports give no clue as to the past, present or future.

Barlow Rand too has been abroad for years, notably through Thos Barlow (Holdings) Ltd in the UK and Wrenn Handling Inc in the US. But the R500m acquisition of UK industrial group J Bibby signals the depth of Barlow's commitment to overseas growth. Barlow chief executive Mike Robolt notes that "It has always been part of Barlow's long-standing strategy to acquire significant overseas business interest," and also infers that the Bibby acquisition will be used as a springboard for further acquisitions in the UK and US.

A place in the sun

Behind AAC, Rembrandt and Barlow stands a host of companies suddenly clamouring for their place in the sun. Premier chairman Tony Bloom has made no secret of his wish to expand abroad, and the group is now listed on the London Stock Exchange. "It is time SA started developing its own multinationals," says Bloom.

Also proclaiming his wish to go "multinational" is Sun International's Sol Kozner. Kozner is an old hand at purchases abroad, and perhaps should be less anxious to extend that hand in view of the burst fingers that have marked his grandest but least auspicious venture — the doomed Camelot casino in Atlantic City, New Jersey.

Donny Gordon's Liberty Life has cultivated a considerable international presence through TransAtlantic Insurance, its giant UK holding company Natixi Kirsh too is said to be looking to expand his already considerable investments abroad. Also hot for overseas acquisitions is newly-created Saffren.

Anglo's Oppenheimer, Premier's Bloom, Rembrandt's Rupert, Barlow's Robolt ... investments a function of scale

Financial Mail October 19 1984
THE SA CONNECTION

SA's expansion abroad has only once encountered real political opposition, caused by a combination of one man's notorious and an accident of geography.

Southern Sun chief executive Sol Kerzner was one of the best known South Africans in the US, and Atlantic City was an unwise choice of venue for his latest bet. Local political activity was fast and furious, and the white mayor of this sharply divided New Jersey gambling city seized on Southern Sun's (SS) obvious SA connection to boost his support in the black community.

When Camelot did fall through, SS put it around that the scheme collapsed because of the corporate restructre in Johannesburg, as South African Breweries (SAB) asserted its control of SS. But in the final analysis, political pressure from the anti-apartheid lobby in the US played its part.

"There's no doubt that local opposition stopped the deal," Jonathan Davis, a senior aide to Atlantic City Mayor Matthews, told the FM. "SS wasn't about to come to Atlantic City. If it had, it would have been a disaster." Most SA companies in the US, UK and Australia say that their SA origins cause them little trouble. But all are aware of the importance of keeping a low profile.

"South Africa's name is bad news," says M&R's Roger Voysey. "We don't want our origins from the rooftops."

When Anglo American was trading and investment banking giant, Engelhard (New Jersey-based precious metals manufacturer), Newmont Mining (copper and inspiration (natural resources) are SA-controlled," says Michael Goodwin, an analyst in the International Trade Administration of the US Department of Commerce. "We're two or three to.”

Anglo American is too professional to make a misstep and find itself in the public eye.”

Alongside these heavyweights are innumerable others, public and unlisted, that are already established abroad or looking to be so. Some, like PGSI, are enjoying considerable returns from shrowed and well-managed overseas investments. Others, like Murray and Roberts (M & R), and Bromann, made initial investments, divested themselves of losses, reinsisted in other subsidiaries and are confident of return. Still others, like the private Durbans-based Beacon Sweets & Chocolates, watch anxiously while their subsidiaries (in Beacon's case a sweet factory in New Jersey) battle to get out of the red. Or like Pick 'n Pay's Australian venture, they overcome testing problems and get off the ground.

The most recent investors are, oddly enough, the most optimistic. According to Frank Roberts, MD of Walton's, which two weeks ago launched its Australian subsidiary. "If the political thing doesn't hold me back, I'm going to make a million.” And says Brian Mutch, MD of tiny Trek Scale (est. 1973), that "we've won the battle in New Jersey."

"Our market now is unlimited.

Graveyard scenario

Unlimited markets, however, do not necessarily spell success. Indeed the largest of markets, the US, has proved a graveyard for SA capital. The most visible debacle occurred in 1983 when, in the glare of the US media, Kerzner and Southern Sun watched their grandiose schemes of a casino in Atlantic City collapse in the face of local political opposition. One positive lesson was evident from Kerzner's misadventure. "Events in Atlantic City will make SA companies even quicker about their origins," says Sally Miller, a foreign investment analyst at the US Department of Commerce in Washington.

Kerzner is not alone in regretting his raid on the US. Bromann, the consumer durables and electronics group, dropped its US subsidiary after an expensive 18 months, and instead chose to establish a now-flourishing subsidiary in the UK. Says Bromann chief executive Max Bronzn. "We feel more comfortable in the UK." M & R is also divesting itself of its last US subsidiary after five costly years. Admuts M & R joint finance director Roger Voysey. "We haven't been very successful in the US".

Altech, one of SA's best-managed groups, took five years to rid itself of an incompatible US electronics subsidiary, acquired in 1979. Says Altech deputy chief executive Ken Maud. "We were dipping our toe in the water, and though we made some mistakes, we learnt from them." Bill Venter, chief executive of Altech holding company Ventron, has announced that by 1986/87 of Altech business should be international. Venter also stated early this year that the group is actively looking for a sizeable investment overseas.

Perhaps the costliest investment in the US belonged to Rembrandt, which invested heavily in the attempt to turn around the fortunes of its 1973 US acquisition Liggett and Myers. In 1978 Rembrandt sold its stake in Liggett & Myers for 200m.

What is it that makes the US market so difficult to crack? "You can make money in the US faster than anywhere else," says Jim Sodes, the FM's Washington correspondent. But "you can lose it here twice as fast as anywhere else." Says Walton's Roberts. "I wouldn't open anything in the US. Australia is a much closer market to us." Observes M & R's Voysey. "Because they talk a kind of English and the US market is similar to SA or the UK. But it is a completely different environment, very legalistic, and unbelievably competitive. If you're not the best you go out of business."

Competition notwithstanding, the latest to launch themselves in the US are the Hoeken group, managing aviation insurance for a group of Miami underwriters; and C G Smith, which has acquired a controlling interest in Princeton Packaging for $30m. Last month Stocks and Stocks, SA's largest privately-owned construction company, joined Sage, RMS Syfreit, Gallic and LTA in the hunt for spoils in the US real estate and construction industry.

The main factor behind SA companies' surge abroad is perceived opportunity. According to PGSI's Lubner: "If you compare the opportunities in SA to those abroad, you go overseas. But," he says, "the magic word is exports." Beacon Sweet's chairman Arnold Zolman says he set up his New Jersey operation because he had really provided us with a more effective platform to promote our exports." Altech deputy chief executive Ken Maud says he believes "that if you operate exclusively in a closed environment like SA you don't get the benefit of volumes, and nor do you get enough opposition. If you operate abroad you have to keep up, with technology. We are looking to see some very real advantages coming back to SA through export volumes, dividend flow and technology."

Furthering financial ties

The Reserve Bank's Jan Senekal says that permission will only be granted to companies to remit funds, borrow offshore, or obtain listings abroad, if there are clear advantages to SA by "either fostering exports, protecting an existing investment, securing a source of supply, or furthering our financial ties with the outside world."

To what extent SA's overseas investments have fostered exports is uncertain, but it is clear that to date the flow of dividends has been in only one direction—out of SA. And there are also other drawbacks. SA has limited managerial resources, and it is clear that many top managers spend an inordinate amount of time looking out for overseas investments. Altech, for instance, says Maud, has "two top executives in the UK and US looking full-time for possible acquisitions." Indeed a casual FM ringaround discovered that four of SA's top chief executives were out of the country.

"You don't spend as much time as you should with your overseas operations," says Bromann MD Max Bronzn. "But you still spend too much time with them as far as your domestic operations are concerned."

Financial Mail October 19, 1994
Rex Trueform chairman Stewart Shub, who, despite his group's London listing, has so far resisted what he calls "some very tempting propositions overseas," notes that if companies "are going to come safely through the present economic gale force winds, all management needs to be concentrating on the home operation."

The recent increase of SA investments abroad is in the final analysis a sign of health, a function of the vigour and ambitions of local business. It does not represent a capital flight, but the principal dangers in overconfidence and the over commitment of scarce capital and managerial resources.

It is a fact that a number of SA groups are now investigating, and have been for some time, the possibility of removing a good number of their eggs from the politically unstable SA basket. As New York Times journalist Joseph Lelyveld concluded in a profile of Harry Oppenheimer, the end-result of AAC's geographical diversification will see the group outlast its country of origin. "An historian friend of mine," wrote Lelyveld, "took an even longer view of the tactics and prospects of the Oppenheimer empire. It will be, he predicted, the last pillar to fall."
Portugal woos SA business

By HOWARD FREECE

PORTUGAL is wooing SA businessmen to set up operations in that country, either directly or in joint ventures with Portuguese companies.

A mission led by Dr Jose Baptista, chairman of the Portuguese Foreign Investment Institute, is this week involved in a series of top-level talks in SA to promote this aim.

Dr Baptista has one new, powerful factor on his side.

Portugal has just obtained agreement in principle from the Common Market for the country to join the EEC from January 1 1986.

Dr Baptista points out that this would give Portuguese-based companies automatic access to an advanced industrial market of about 350-million people.

Given SA’s political difficulties in establishing economic bridgeheads overseas, there may well be considerable interest in the Portuguese initiative.

There are, however, some obvious problems SA imposes tough exchange controls on resident companies. These controls can only be by-passed by special permission of the Reserve Bank.

However, SA has been a through a difficult period on the balance of payments and the gold and foreign exchange reserves have fallen below conventional safety levels.

In these circumstances it will certainly not be easy to get the Government or the Reserve Bank to approve of the export of capital.

One way of meeting this, again with Reserve Bank permission, is to raise a loan overseas to finance foreign investment and to service the interest and repay the capital of the borrowings from the earnings of the investment.

Portugal, however, does not have that kind of capital market facility, so use would have to be made of London or other international financial centres.

At any rate, Dr Baptista will learn more of the SA official attitude in talks this week with Mr Barend de Piessus, Minister of Finance, Dr Gerhard de Kock, Governor of the Reserve Bank, and Dr Dawie de Villiers, Minister of Commerce and Industry.

He will get an indication of the degree of private sector interest in Portugal from, among others, Anglo American, Barclays, Volkskas and the Federated Chamber of Industries.

But what, apart from the EEC link, does Portugal have to offer?

A key factor, says Dr Baptista, is that wage costs can be as much as 60% less than in West Germany and only half those of the poorer EEC member countries, such as Greece and Ireland.

Areas where Dr Baptista sees particular potential for SA companies include textiles, food processing and general mechanical and metal industrial processing.

Portugal allows full repatriation of profits.
Pick 'n Pay Aussie hyper takes R800 000 sales on the first day

By PAUL DOLD
Financial Editor

PICK 'N PAY'S international expansion plans were given a huge boost this week with the first Australian hypermarket achieving a record opening turnover of more than R800 000.

Speaking from his Brisbane Hotel last night, only hours after the store had closed, Pick 'n Pay's chairman, Mr Raymond Ackerman, said that the group was stunned at the response and is immediately going ahead with its second Australian store.

"While we are naturally not being carried away by a single day's trading, we now know we have a dynamic international retailing concept of considerable potential," he said.

"I had talks with our Australian partners today and we are definitely going ahead with a second store either in Melbourne or Sydney. Mr Hugh Herman (the joint managing director) is currently finalizing the plans."

Pick 'n Pay has also been considering entering the United States market but the early success in Brisbane suggests the group will first open its projected 10-store Australian chain before tackling other markets.

More than 10 000 shoppers packed the Aspley (Brisbane) store — Australia's largest — for the opening at 9.30am on Wednesday.

The huge crowd led to the store being closed just after opening until 2pm.

By the time the store finally closed at 5.30pm, some 30 000 shoppers had clicked through the turnstiles. The crowds were so huge that local police had to appeal to shoppers to stay away from the hypermarket centre.

Australian consumers gave the group a tremendous reception in spite of what Pick 'n Pay terms "the severest price cutting by competition ever seen". Pick 'n Pay was reportedly using two-way radios to monitor prices at a nearby competitor's store while stores in the area were keeping a close watch on Pick 'n Pay.

The opening was given wide press and television coverage and Mr Ackerman said that the huge response had totally vindicated the hypermarket concept.

It has been a nailbiting fortnight for the Pick 'n Pay team as the opening approached — Mr Ackerman himself has had less than three hours sleep a night for the past 10 days. Not only were they facing the intense competition from local traders but a boycott or protests by anti-South African groups could not be ruled out.

There is little doubt that the intense pre-launch publicity and lobbying by Pick 'n Pay's chairman, who was able to convince Australians that South Africa is changing, neutralized any opposition to the opening.
'Great future for Pick ’n Pay in Australia' 

AN EXTREMELY happy Mr Raymond Ackerman returned to his office in Cape Town from Australia today, convinced that his hypermarket operations have a great future in that country.

Last week's opening of the group's first hypermarket in Australia at Brisbane had been fantastic, almost unbelievable, he said today.

The group had never had an opening like it in South Africa. After opening with a bang on the first day turnover on the second day was 50 percent higher.

Within two hours the public had bought more than 1,200 sides of lamb and were buying a ton of tomatoes an hour.

An appeal to the public by the police, broadcast over radio and television, to stay away from the hypermarket because of the congestion had the opposite effect and brought the crowds in ever larger numbers.

A LOT OF BOTHER

Mr Ackerman said before the opening he experienced some of the problems he used to have in South Africa. Up to the last moment the competition were saying that the hypermarket concept would not work in Australia and tried to persuade suppliers to withhold stock from the store.

As a result the hypermarket had a lot of bother getting stock at the last moment.

He said there were few signs of anti-South African feelings. He believed his visit to Australia in February, when he had pointed out what his company had done to improve race relations, had helped frustrate attacks on the company.

The hypermarket opening had given him much confidence in operating in Australia and the group would definitely go ahead with opening a second store.

The group had budgeted for the Brisbane hypermarket to have covered all its costs and start making a profit within the first 18 months to two years' trading. But in view of the highly successful opening it was possible that the hypermarket could be turned around in 12 months, even though opening costs were double those planned.

Here in South Africa turnover of the group's stores had been good even though conditions had been highly competitive. Turnover in the past four weeks had been 21 percent above that of the same period last year.

Derek Tommey
Anglo puts more into South America

By BRENDAN RYAN

The Anglo American Corporation group is expanding its business in South America by buying out its partners in Empresas Consolidadas Sudamericanas.

'AAC, De Beers and Minerals & Resources Corporation (Minorco) acquired a 40% holding in Empresas, registered in Panama, in 1981.

These companies, together with Anglo's Brazilian associates Mineraço Morro Velho and Ambras, are now taking up the remaining 60% in Empresas from a company called Consolidated Mining and Industries.

Empresas will be owned by a joint holding company in which AAC and associates hold 50%, De Beers 25% and Minorco 25%.

AAC chief press officer, Mr Errol Symons, said last night the purchase price would not be disclosed and neither would the terms of payment.

It is therefore not known whether the AAC group will pay for the new holdings through funds generated by its existing South American business, based mainly in Brazil, or whether the group must pump additional outside funds into South America.

Consolidated profits of the Empresas group were about US$27m in 1983 and US$45m in the six months to June this year.

The net asset value of Empresas at September 30 this year was about $308m.

Empresas' Brazilian interests will now be owned by Morro Velho and Ambras. These interests include controlling shareholdings in the Codemmin ferro-nickel mines, the Copelbras/Fusafogo carbon-black, phosphate and fertiliser group and the Catalao columbite mine.

Empresas will continue to run its interests in other parts of South America directly.

These include the Mantos Blancos copper mine in Chile, the Petrosur-Agromax fertiliser company in Argentina and a cement company in Peru.

Over the years, Anglo has built up large, diversified industrial and mining business in Brazil. "Ambras (Anglo American Corporation do Brasil Limitada) has interests in gold and nickel mining, banking, food processing, agriculture and steel making. "Ambras' major investment is in Morro Velho, which runs Brazil's largest gold mine and a number of other gold producers, all of which are small by South African standards. "Morro Velho is doubling its total monthly production capacity to 100,000 tons of ore. Ambras also has a 49% stake in a steel mill with the capacity to produce 300,000 tons of steel annually. "Faced with Brazil's foreign exchange controls and the country's galloping inflation rate, the Anglo group's policy to date has been to plough its earnings back into developing its Brazilian business.
First SA bank in Taiwan plans April opening

Argus Foreign Service

TAIPEI.—The planned opening in Taiwan of the first office of a South African bank is viewed in business circles here as a major step towards furthering economic ties between the two countries.

Standard Bank of South Africa was granted official permission last month to open a representative office in Taiwan. The bank hopes to begin operations around April 1985, with its Taipei officer Mr W E MacKay, at present in Hong Kong.

Taiwan has just launched offshore banking operations and is aiming to become one of Asia’s major financial centres. In particular, it hopes to lure some of the capital that is now fleeing Hong Kong as the British prepare to hand over the colony to the communist Chinese.

EXRESSED INTEREST

Mr Edward Chen, deputy director of the Department of Monetary Affairs at the Ministry of Finance, said four South African banks initially expressed interest in opening an office in Taipei.

“After some talks, two of them put in an application. We approved Standard.” He declined to name the other banks involved.

The Ministry has laid down various principles for accepting applications by foreign banks to open a representative office in Taiwan.

One is that over a period of three years the bank should have granted medium-term and long-term loans in Taiwan totalling $30-million (R25.8-million).

Alternatively, the Ministry will allow a new bank to enter the country on the basis of reciprocity, and as it had decided it was time to open an office of a Taiwan bank in South Africa it was prepared to accept the entry to Taiwan of one South African bank.

Foreign bankers generally describe banking in Taiwan as very conservative, hindered by heavy bureaucracy and tight exchange controls.

They say Taiwan still lacks much of the infrastructure, such as a fully developed telecommunications network and trained English-speaking personnel, boasted by more established neighbouring centres like Singapore and Hong Kong.
Clicks in R1.5m deal down under

Business Day 12 January 2020

By Mike Jensen

Clicks, the South African online retailer, has announced a deal to sell its Australian business to the group. The deal is valued at R1.5 million and is expected to be completed within the next six months. The Australian business has been performing well in recent years, with revenue increasing by 20% annually. The deal will allow Clicks to focus on its core business in South Africa, where it has a strong market position. The Australian market is highly competitive, with players such as David Jones and Myer dominating the retail space. The sale of the Australian business will enable Clicks to concentrate on its strengths and continue to grow its presence in the South African market.
SA ‘break-out’ investment in UK under the spotlight

By John D'Oliveira
The Star Bureau

LONDON — South Africa's break-out from the "economic laager" came under the spotlight during a prime-time business television show in Britain yesterday.

The business programme on independent television's Channel Four reported that South African investment in Europe had trebled between 1979 and 1984 — and that it now stood at an estimated R500 million.

Most of this money had been invested in Britain, and a string of major South African companies had bought stakes in British businesses.

The programme gave as the most recent example the R500 million purchase of Barlow Rand by J Bibby and Sons.

At one stage Mr Peter Curle, executive director of the high technology South African firm Allied Electronics, was interviewed as one of the 10 South Africans who had "joined the hunt" for British companies.

Mr Curle said his firm was looking for a "compatible" acquisition in the fields of high technology or telecommunications and that Allied Electronics was prepared to pay about R100 million.

The business programme's commentator, Mr Peter Hobday, said South Africa was breaking out of the "economic laager" because:

• The gold price had plummeted and was now at a two-and-a-half-year low.
• South Africa suffered from high unemployment for both black and white workers.
• Double-digit inflation continued in South Africa.
• Interest rates in South Africa remained at more than 20 percent.

SEVEN BIG GROUPS

The Johannesburg Stock Exchange provided an additional reason for the "break-out".

Almost 80 percent of the quoted shares were in the hands of seven big groups and this concentration of power meant there was very little room for manoeuvre in the domestic market. Hence the break-out into world markets.

Also interviewed was Mr David Willers, London director for the South Africa Foundation, who said South African investments abroad had doubled in the last two years.

Asked whether this was "funk money", Mr Willers said he had no doubt that this was "the kind of construction that will be put on it" because of South Africa's political problems.

However, in practice, the biggest South African companies were looking to outside investments because there were very few opportunities left for them in South Africa in their own particular fields of expertise.

The commentator said South Africa's "dubious political reputation" was now the main barrier to its businessmen's overseas investment.

"Companies need to think hard before they link up with South Africa and become the target for anti-apartheid demonstrations in different parts of the world."

However, the programme included interviews with J Bibby and Sons employees, all of whom belong to a trade union vigorously opposed to the South African government's policies, and none had any objection to the new ownership.
SA electronics giant eyes UK firms

Altech on R100m hunting spree

By NEIL BEHRMANN

LONDON. — Altech, the South African electronics group, is ready to spend over R100m on acquisitions in Britain.

In an interview on UK television, Altech director, Mr Peter Curle, said the company would pay up to £50m (R110m) for businesses in the telecommunications, high technology and electronics field.

In Johannesburg yesterday, Mr Ken Maude, deputy chief executive of Altron, Altech's holding company, said senior staff had been in the UK for the past three or four months with the brief to find a suitable acquisition by mid-1985.

He said he believed the size of such an acquisition would be within the range of R20m to R100m.

In a UK Channel 4 feature on South African investment abroad, the programme estimated South African investment in Europe, mainly in Britain, had doubled to £1.75bn (R3.8bn) between 1979 and 1982.

Statistics, however, have their problems.

The latest South African Reserve Bank quarterly bulletin shows that total private sector foreign direct and indirect investment rose from R3.18bn in 1976 to R8.9bn in 1982.

These assets increased in line with expansion of the South African economy and also because foreign currencies appreciated against the rand.

In the past year alone, the rise of the dollar, sterling and other foreign currencies have raised the worth of South African assets abroad.

But liabilities must be offset against these assets.


Several businessmen, including Mr Tony Bloom, the chairman of Premier Group, told Channel 4 they intended investing abroad.

Britain, in particular, was an attractive area.

The reasoning behind these plans included foreign diversification, generation of export market from an international base, fear of monopoly and limited markets at home, and the desire to enter large foreign markets.

Economic circumstances in South Africa, however, could delay or perhaps even mothball many of these plans.

For a start, the depreciation of the rand now makes it much more expensive to buy assets abroad.

In 1981, only R8.4m was needed to buy $10m.

Now R18.5m is required to buy the same assets in the US.

Similarly, just over a year ago R17m could buy £10m of assets.

Now companies must pay out R22m.

Companies, of course, tend to borrow abroad when they buy foreign assets.

This can be ruinously expensive, however, if the foreign exchange rates move sharply against the borrower's domestic currency, unless forward cover has been taken out.

In general, South African companies have probably missed the foreign investment boat.

The deepening domestic recession and high interest rates are paralysing profitability, so there is less capital available for local or foreign investment.

With foreign exchange obviously scarce, the Reserve Bank is bound to be scrutinising foreign investments with extra care.

There was, of course, an opportunity for more extensive exchange control relaxation during the 1979-81 gold boom.

As it so happens, the relaxation which did occur benefited foreign companies.

Because South African institutions and individuals were forbidden to invest abroad, they boosted values on the Johannesburg Stock Exchange.

Foreign corporations, such as Associated British Foods and Jardine Matheson, of Hong Kong, were able to sell their South African assets at handsomely inflated prices and withdraw the proceeds from South Africa.

Meanwhile, pent-up liquidity contributed to no small measure to the high inflation rate and problems the economy has today.
SA has invested more than R12-bn in Europe, America

By John D'Oliveira
The Star Bureau

LONDON — South African investment in Europe and the Americas is now believed to have topped R12 billion.

This is clear from research by the South African Foundation's London office for a prime-time business television programme broadcast last weekend.

The programme highlighted South Africa's dramatic breakout from the "economic laager", but it gave very little by way of statistics.

Yesterday a spokesman for the South African Foundation said the latest statistics available from the South African Reserve Bank showed South African investment in Europe had increased from R2.2 billion in 1979 to R4.343 billion by the end of 1982.

Total investment in North and South America increased from R1.004 billion in 1979 to R5.345 billion by the end of 1982, bringing the total for Europe and the Americas to R7.348 billion.

This was made up out of R4.904 billion in direct investment and R2.754 billion in "non-direct" investment.

In 1979 total "non-direct" investment was R1.518 billion and direct investment was R1.386 billion, a total of R3.269 billion.

Observers say they believe the total figure may have doubled again over the last two years — but that it will certainly exceed R12 billion by the end of this year.

They also believe that at least 60 percent of South Africa's European investment is placed in the United Kingdom — R2,400 billion at the end of 1982 and something approaching R4,000 billion at present. Of course, South Africa's international liabilities must be set off against these increasing assets.

COMMENTATOR EXPLAINS

However, the statistics do show the dramatic increase in the amount of money being invested overseas by South African businessmen at a time when many overseas investors are agonising about investment in South Africa.

In the business programme on Sunday, the commentator explained that South Africa was "breaking out of the economic laager" because the price of gold had plummeted, inflation remained at double digit figures, interest rates had topped 20 percent and there was a high rate of unemployment among black and white South Africans.
Multinational Corporations

1985 - 1988
Chemical exports climb at Umbogintwini plant

Financial Reporter

Despite the general economic gloom, 1984 has been a successful year for chemical company, S A Tioxide, with production records set and substantially higher levels of exports to 'deep sea' markets being achieved.

The Umbogintwini-based company, which employs about 500 people, is a specialist chemical manufacturer and the only producer of titanium dioxide pigments in Africa, sold under the trade name Tioxide.

Retiring managing director, Mr Jim Somerville, says that 1984 had been a year of two distinct halves. It was a very difficult first half due to the increasing availability of low-priced European imports encouraged by the Government's action in reducing protective duties.

The Rand

But the second half had seen a substantial reduction in import activity as the rand weakened and European producers sought more rewarding markets.

'This change was accompanied by a general reduction in domestic demand and as the Government's squeeze started to take effect.'

'On the bright side there was a substantial improvement in returns from the hard won dollar-based exports and volumes improved in this area when they were most needed.'

Mr Somerville is full of praise for the company's team effort, which should result in the budgeted profit for the year being achieved.

Although total sales by volume failed by 0.68 percent to match the record year of 1983 when South African demand was at an all time high, some company records were broken.

But the real breakthrough came in 'deep sea' exports, which were more than twice those for the previous best year. Sales were made to markets in North America and selected markets in Europe.

Sales

In 1984 S A Tioxide's 'deep sea' exports accounted for 14 percent of a.

Mr Kerr says they are aiming for full capacity production this year with a minimum target of 20 percent for export.

His major concern is how to retain price competitiveness and not be forced to increase prices locally to the extent that, despite the weakness of the rand, it again becomes an attractive market to importers.

He admits to having made a poor start in this respect as prices of Tioxide titanium pigments — because of the dollar-based raw material, like sulphur — will be increased by about 12.5 percent from February 1.

New contracts for sulphuric acid have had to take account of a 30 percent increase in the US dollar price of sulphur over the twelve months and when this is translated into rands it has the effect of increasing direct product costs by about R130-R140 per ton.

The steep increase in electricity charges, with a further rise expected mid-year, will also have a significant impact on costs.
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Sales

In 1984 SA Ti Oxide's 'deep sea' exports accounted for 14 percent of total sales, with a further 5.5 percent being sold in traditional export markets earning R10m in foreign exchange.

The year ended on a high note, with December sales well above the monthly average and 45 percent of production being exported.

The new managing director, Mr Peter Kerr, a 'very' arrival in South Africa, sees a number of similarities in the problems facing SA businessmen today and those of UK management in the 70s, when high inflation caused serious damage to industry and the economy as a whole.

'South African businessmen must react to the changing business scheme, particularly if the Government sticks to its policy of reduced protection of local manufacturing industry and companies must seriously consider the opportunities the weak rand offers them.'

Mr Kerr says they are aiming for full capacity production this year with a minimum target of 20 percent for export.

His major concern is how to remain price competitive in 'deep sea' markets and not be forced to increase prices locally to the extent that despite the weakness of the rand, it again becomes an attractive market to importers.

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GENBEL

The big leap

After several years of rapid expansion in its industrial division, General Mining Union Corporation (Genbel) is setting its sights on investments in foreign markets. Investment holding company Genbel is planning to invest some R75m in overseas venture capital mining projects — and the investments are to be financed by a route so far taken by few other SA groups, a Eurobond issue for DM100m.

In other ways too Genbel's management is breaking away from the conservative investment policies most often adopted by the stand SA investment holding companies. By using gearing to broaden the capital base, chairman Hugh Smith plans to avoid sitting on a portfolio that rarely changes.

The decision to raise DM100m is undoubtedly a bold move. Some might call it foolhardy, considering the rand's present weakness, and the possibility that it will remain soft for years. But if Genbel's foray overseas is successful, the pitfalls of currency fluctuations should be avoided.

Already several large SA groups which have for some time been saying they would like to invest overseas have remained sidelined while the rand kept sinking. For some, the opportunity to go abroad may well have slipped away. As Smith contends, "It makes no sense to invest abroad while our currency is so weak."

Others may, however, be encouraged to follow Genbel's funding route if it is open to them. With the path largely untrdden by SA groups, Genbel had to feel its way. Lead bank Drecker Bank required a guarantee from Genbel that if necessary it would repay the loan on maturity. After approval was given by local exchange control authorities, a wholly-owned Dutch financing subsidiary of Genbel is to raise DM100m on the Eurobond market. The bond will have an 8% coupon rate, with a life of six years at an issue price of 95.5. It will be listed on the Frankfurt exchange.

Gencor's investment holding company is making an adventurous foray into the Eurobond market in order to finance overseas venture mining projects. Given the weak rand, it's a bold move, but typical of Genbel's strategy of breaking ranks with the traditionally conservative investment policies of SA's major corporations.

Smith notes that the interest rate is in line with that paid by the SA government, as well as the level paid recently by European companies "There is no significant premium because of political considerations," he says. "The bond is a bearer issue, and interest will be tax-free. The terms are attractively pitched considering that the German rate of inflation is only 2.9%, and the taxed real rate of return for holders is an enviable 5.2%.

Priority targets for the funds raised by the issue are equity stakes of 20%-40% in developing North American gold mines. It could, of course, be argued that the strong dollar does not make this a propitious time to invest in the US. On the other hand, the low gold price has reduced the entry price, and narrowed the opportunity field.

Developing gold mines in California — which are low grade, low cost, open cast ventures — are an example of the kind of investment Genbel has in mind. Australian gold mines are among the priorities. But Genbel is not interested in gaming management control of any mine. "We have not finalised any propositions," says Smith. "We are now going out to look." The finalisation of any deal is probably only a few months away.

No Minocro parallel

It seems that Gencor, holding 43% of Genbel, does not aim to reshape the investment company into a new overseas investment arm, along the lines of Anglo's Minocro. As Smith puts it: "Where necessary we will use Gencor's technical input to assess any viable proposition. But Genbel's board made an entirely independent decision to invest abroad, although the move has the blessing of Gencor's board."

Genbel currently has a portfolio worth
some R600m in SA gold mines. It may seem ironic that a SA-based company should want stakes in gold mines abroad. But Smith contends that "SA is geologically fully-explored and all known mining deposits are in firm hands. Opportunities for risk capital are greater abroad than here."

Stakes in oil and gas syndicates are also being contemplated, he adds.

Genbel currently has assets of more than R1 billion, but this should rise as the gearing is increased to a maximum of about 10% Management wants to hold 70%-80% of the portfolio in mining or mining financials.

According to Smith, the proportion of overseas-held investments will depend on how successful these new ventures turn out.

Initially, interest on the Eurobond loan is unlikely to be fully-serviced by foreign investments, so any shortfall will probably be met by local funds. In the next few years, there is likely to be a small dilution in earnings due to negative gearing. Of course, if the overseas foray flops, local funds will have to be used to repay foreign debt.

Apart from these projects, there are other encouraging developments in Genbel. Its largest investment, currently worth some R188m, is in Evander gold mine Winkelhaak. The mine is prospecting on the eastern side of its existing lease, on the farms Uitkyk and Driefontein, whose mineral rights are held by Genbel. Smith candidly admits that "the exploratory work is likely to prove significant."

Genbel has coal mining rights in Evander and the Free State, where coal has been found, although further exploratory work will have to be done to define the deposit. Further drilling for gold is currently being carried out in Vermeulsraal Noord — held 50% by Genbel — south of President Steyn's Video mine. Last year's drilling results in this area were described as "encouraging."

Among other recent developments, last year's 49% stake in an international share-dealing company formed by Genbel and UK stockbrokers W Greenwell (51%-held) might become a money-spinner in future years. The company, whose operations are similar to those of jobbers, has capital of about R4m.

Genbel was born out of the controversial merger of UC Investments and Sentrust in 1983. Much of its growth into a formidable mining investment company can be traced through Smith's career. Smith, 60, spent 29 years, many of them as a partner with Deloitte Haskins and Sells, who are Genbel's auditors, before joining the ill-fated NGF group in 1989, as an executive.

After spending two years as MD of Sagit following the NFI debacle, he joined Union Corp's UC Investments (UCI) as MD in 1972. After rising to financial director of Union Corp in 1976, Smith became part of the Gencor group when Gencor acquired Union Corp in 1979. Now one of Gencor's five-man executive committee, Smith describes the merger of UCI and Sentrust and the broadening of Genbel's investment horizons "as an interesting and challenging period of my life."

Share attractions

Genbel, with a market capitalisation of some R750m, is listed in Johannesburg, London and Brussels. The merger, and Genbel's subsequent growth, lifted UCI's dividends over the past decade from 3c to 15c, while net worth more than quintupled to about 3 15c. At R21, the share is some way off its all-time high of 2 55c, and stands at a discount of around 30% to net worth.

The company has no employees, but pays Gencor a management fee of 3% of dividends declared. Its five largest holdings are in quality precious metal mining shares: Winkelhaak, Kinross, Impala, Vaal Reefs and South Vaal — totalling roughly 1 850c a share. Besides Vaal Reefs, these mines currently yield well below Genbel's current historic dividend of 7.1%.

The chart indicates the spread of investments. Most of the mines in the portfolio should be able to increase this year's payout by a healthy margin, thanks to the high rand prices of precious metals.

At present, the prospective dividend yield is probably about 6%. Apart from this forward yield, there are considerable attractions: the discount to net worth, the sound investment portfolio, and management's adventurous approach and past track record. The share is worth accumulating as a cheap entry into a well-diversified mining portfolio holding some solid industrial interests.
AAC in Brazil is now financially independent

Mercury Correspondent
JOHANNESBURG— Anglo American Corporation’s Brazilian operations are now financially independent and dividends are now being remitted to major shareholders Minero, De Beers and AAC.

This emerged from a recent interview in Johannesburg with Dr Mario Ferreira and Mr Peter Burnell who between them are responsible for AAC’s South American operations.

Dr Ferreira is an AAC executive director responsible for the group’s Brazilian operations while Mr Burnell, who was recently made a director of AAC, is responsible for the group’s South American operations outside of Brazil.

‘Our general policy is that we finance the expansion of our Brazilian operations from our own sources.

‘If we cannot do this, then it is an indication to me that we must go slowly on whatever we are trying to do,’ Dr Ferreira said.

Argentina

Mr Burnell pointed out this was not yet the situation in Argentina or Chile, where the development of AAC’s business was lagging behind that already achieved in Brazil by some five to eight years.

‘Initially, we were set up and funded by the AAC group but over the last four years we have invested US$200m money of our own funds back into the operations,’ Dr Ferreira said.

‘We started remitting dividends to our overseas shareholders about two years ago. The dividends to date have been small and we are building up to achieving a dividend level which will be a responsible return on the investments made in South America,’ he added.

Dividends

He declined to give precise details of dividends being paid by AAC’s Brazilian operations and also declined to give the cost of the deal announced last November when the AAC group bought out its partners’ 60% holding in Empresas Consolidadas Sudamericanas (Empresas).

Dr Ferreira’s career with AAC has spanned some 21 years in the group’s operations in France and Portugal while he was also involved in managing the Cabora Bassa project in Mozambique. He moved to head up AAC’s Brazilian operations in 1975.

Potential

Mr Burnell started with Charter Consolidated in 1965 and he moved to the group’s Brazilian operations in 1977.

AAC was attracted to South America initially by the continent’s mineral potential.

Chile, Brazil and Peru, in particular, have tremendous mineral resources. They have the largest reserves of iron ore in the world and the second largest reserves of bauxite.

‘Brazil is the world’s third largest producer of gold. However, Brazil is also a developing, industrial economy with a large population.

‘More than 60% of Brazil’s exports are industrial products.’

Foreign
SA DRUGS FIRMS IN COURT WAR

By IRVING STEYN
Weekend Argus News Editor

DRUGS manufacturers are to take the Pharmacy Board to court for ruling that pharmacists may substitute cheaper alternatives to medicines prescribed by doctors.

The ruling has brought a major split in the industry's Pharmaceutical and Chemical Manufacturers' Association (PCMA) — one of its largest members is siding with the Pharmacy Board.

The association has voted financial support to a number of members who are to take the board to court over an ethical rule which allows pharmacists to substitute cheaper brands of the same medicines on doctors' prescriptions.

The row, which has been simmering for some time, erupted at a meeting of the association yesterday at which money was voted for the court action.

Copied

This led one of the country's largest pharmaceutical manufacturers, SA Druggists, and its subsidiary, Lenton, the largest manufacturer of generic medicines, to withdraw from the association.

Generic drugs are those on which the original manufacturer's patent has expired and which may therefore be copied and sold under other names by other companies — generally at prices about 25 percent lower.

The deputy managing director of SA Druggists, Mr Tony Karis, said it was "absolutely nonsensical" for the industry to try to prevent what was happening all over the Western world.

Of the 62 members of the PCMA (out of about 80 drug manufacturers), only five major companies, all South African-owned, make generic medicines.

It is estimated that generic medicines account for only 30 percent of the R400-million total wholesale turnover in pharmaceuticals.

Statement

If generally implemented, replacement of other medicines with generics will give the local pharmaceutical industry an opportunity to expand considerably.

The Pharmacy Board, meeting in November last year, came after a statement by the late Minister of Health, Dr. "Pak van der Merwe, in February last year that the pharmacy profession should help the nation by adopting generic substitution.

Opposition has come primarily from the multinational drug companies, which say lower sales of their brand name drugs will reduce finance available for research.

The Pharmacy Board rule permitting substitution was, the PCMA decided, not necessarily in the public interest nor in the interest of the pharmaceutical industry.

Those in the industry say it is a "non-starter" and the minimal saving does not warrant the risk of cheaper drugs being pushed on the market.

And more important, they say, doctors could lose control of their patients' medication.
Pharmaceutical industry turmoil

By CHRIS ERASMUS
Medical Reporter

SOUTH AFRICA'S pharmaceutical industry is in turmoil over a decision taken at a special meeting of the Pharmaceutical and Chemical Manufacturers' Association (PCMA) on Friday to fight in court against the generic substitution of brand-name drugs.

Friday's meeting ratified an earlier recommendation by the PCMA executive to fight against an amendment to one of the association's ethical rules which allows generic medicines to be used instead of patented medicines, where appropriate.

The amended ethical rule of the SA Pharmacy Board, published on November 18, 1984, permits substitution of one brand of medicine with another, provided it contains the same ingredients and is cheaper.

Withdrawals

According to a statement issued by Mr John Toerien, executive director of PCMA, the amended rule was "not necessarily in the public interest nor in the interest of the pharmaceutical industry in South Africa."

Mr Toerien said individual members of the association would be applying to court to have the rule set aside.

But immediately after the meeting, South African Druggists and its subsidiary Lennon, the country's largest producer of generic medicines, announced that they had voted against the move to fight the generic substitution rule and would withdraw from the association. Two other companies also voted against the PCMA move.

Generic drugs are those on which the original manufacturer's patent has expired, allowing exact copies to be made and sold under other names by other companies. In South Africa, patents on drugs expire after 20 years.

An example of such a drug is aspirin, which has been copied by numerous manufacturers and is sold under many different names.

These drugs, because their marketing has not involved substantial research and development expenses, are generally cheaper, costing about 25 percent less on average.

Most of the opposition to the amended rule has come from the multinational drug companies, which say lower sales of their brand-name drugs will reduce finance available for research. They also suggest that if profitability is reduced, some of them may withdraw from the South African market.

Only five of the PCMA's 62 members make generic medicines and all are South African owned. They are Lennon Limited, Adcock Ingram, Propan, Rolab and Noristan. In all there are about 80 drug manufacturers in South Africa.

Generic medicines account for an estimated 10 percent of the country's R400-million total wholesale turnover in pharmaceuticals.

The Pharmacy Board's ruling in November last year followed a statement by the late Minister of Health, Dr "Nak" van der Merwe, in February, 1984, that the pharmaceutical profession should help the nation by adopting generic substitution.
Multinationals must ‘quit SWA’

NAIROBI — The leader of Swapo, Mr Sam Nujoma, yesterday demanded that multinationals leave SWA/Namibia as their taxes helped South Africa maintain control over the territory.

“Multinationals are exploiting our mineral wealth while our children are suffering malnutrition,” Sapa-AP reported.

The world’s largest uranium mine — built with British, French and South African investment — is the Rossing mine in Swakopmund.

Mr Nujoma specifically cited British-based Rio Tinto Zinc and the Anglo American Corporation of South Africa as multinationals which he said should close down until the territory became independent.

“We demand they quit Namibia,” he said “All of them are offenders”.

SWA/Namibian workers would not suffer from closures because they were being paid subsistence salaries.

He also urged economic sanctions against SWA/Namibian exports to put further pressure on the Republic to grant independence to the territory.

Noel Bruyns reports from Windhoek that Mr Clive Algar, public affairs manager of Rossing Uranium, yesterday denounced Mr Nujoma’s statement.

Mr Algar said that more than 2,500 employees and their dependants would have no income if the Rossing mine were to close.

He also denied allegations made by Mr Nujoma that workers were paid minimal salaries.

Semi-skilled and unskilled employees received between R300 and R1,000 monthly, he said.
Kersaf pays R42m for discos, waxworks and gambling hope

SOL’s huge entry fee

By David Carte and Neil Behrmann

SOL Kersner’s Kersaf has paid a huge price in an attempt to enter the lucrative UK gambling industry.

In bidding R42-million for 40% of Kunsack, Kersaf paid 25 times the expected taxed profit of Kunsack in South Africa. Ten times earnings is regarded as a good price.

British investors, mainly institutions in the over-the-counter market, were so excited about the link with Kersner that they pushed the price of Kunsack to 40 times expected earnings. The shares leapt from 27 pence to 64p after the deal and the company, set to earn a modest R5.78-million, is now capitalized at R182-million.

Kersaf paid 39p a share.

Kunsack is an entertainment enterprise.

Strict control

Mr Kersner and David Hudd, chief executive of Kunsack, told Business Times they would like to get Kunsack into gambling, but had no immediate prospect.

Mr Hudd, who steered Trident Television into gaming, said entry to casinos would not be easy as the industry was strictly controlled. He said Kunsack would look at all opportunities, including horse racing and football pools.

Mr Kersner said Kunsack would probably not be the vehicle for the R250-million casino extravaganza that Kersaf had sought all over the world. That would more than likely go into Sun Holdings International, also registered in London.

Ownership of club-like British casinos was highly desirable as they did not require an outlay of hundreds of millions. But because they were patronized by shekhs and other serious gamblers, turnovers and profits in UK casinos were exceptional.

Underworld

Mr Hudd said the number of casinos in the UK was controlled. Anyone who wanted to launch a casino had to show there was a need for it, that he had the financial backing and was “clean” with the law. Regulations had been tightened up to keep the underworld out.

Kunsack is small by Kersaf standards, but in the three years of its existence has virtually doubled profits annually.

Mr Hudd said the partnership with Kersaf and Sun International was a “quantum leap” for his company. The enormous price earnings multiple his company enjoyed was justified by the earnings performance and outlook.

“The expertise of Sol and Peter Bacon is a big gain for us,”

The Kunsack Group’s principal interests are

- Water theme parks in Scarborough (the first in the UK), North Bay Pool and Water Scene Park
- Simon Wharby, of broker Furse & Co, which is an expert on the Kunsack Leisure group
- Says there is “huge public interest, well above budget forecasts” in the parks. Other parks will open in Wandsworth and Morecambe
- The London Dungeon near London Bridge is a waxworks with tableaux depicting English history and legends and draws 600,000 tourists a year. Bought for £1 million in September 1983.
- Profits in the first year under Kunsack’s management rose by 59%.
- In the first three months of this year the numbers of visitors rose by 20%.
- Two discotheques in Scarborough. The objective is to have five discotheques by 1985.
- An opera house in Scarborough holds popular shows.
- A pleasure boat, the Coronis, carries 300 people.
- A skating rink in Scunthorpe and a “fun pub.”

Expansion

Kunsack Leisure is headed by Sir Fred Pontin, the British holiday king. In the deal with Kersaf, it received Kersaf shares which were passed on to British institutions for cash. Now it has £27.7 million of cash plus another £2.3 million and the ability to issue valued scrip for expansion.

Sir Fred will be replaced by Mr Hudd.

Mr Hudd is described by SOL Kersner as “impressive and dynamic” and by London brokers as “ambitious.”

UK brokers say Kunsack would have shown a “quantum leap in profits” with or without Kersaf.

Like Kunsack, the Kersaf share price discounts fantastic growth. Trading at 23 times earnings, Kersaf is one of the highest-rat ed stocks on the Johannesburg Stock Exchange.

Mr Kersner will have to deliver at the bottom line on some of the promise built into the share if it is not to suffer setbacks.
Foreign expansion pays off for PG

THE benefits of the Plate Glass group's international expansion has been brought firmly to the fore with a near 5% dividend increase in the year to March.

Despite massive disruptions to profitability, given the group's exposure in the depressed building, furniture and motor industries, the group has diluted cover and increased its payment to shareholders.

For the record, earnings fell to 201c a share from 1984's 220c while the dividend was lifted to 105c from 100c. Joint chairman Ronnie Lubner said that the strength of the group's industrial operations overseas precipitated the increased dividend, but did not mean that group earnings were set for a marked recovery next year.

He said with the establishment of an international trading base for the group, with companies now operating in Australia, the UK, US and certain third world countries, it was felt the time was right to show some confidence in the future.

The major shift is emphasised by an increase in the contribution to operating profit from the overseas operations to 35% of the R102m total from only 26% in the 1984 financial year.

While the UK glass operations, really in existence only for the past year or so, performed rather badly, major improvements in both the US and Australasia in the second half of the year more than compensated.

Looking at the SA operations, which account for a little more than half of the R1,2bn total turnover, Lubner said the glass operations had proved particularly difficult last year. He estimated that, while the company's SA wood interests effectively held their own in the last 12 months, profits from glass were probably down by about 20%.

On a more technical basis, the group benefited enormously from a huge drop in the effective tax rate which more than offset a near doubling of interest payments.

Lubner said the tax benefits included SA investment allowances and assessed losses but also represented a fairly general spread of tax credits in the international operations.

The increase in the final dividend will actually cost the group less than R1m and is very much a psychological boost rather than a commitment to any long term dividend policy.

In the eyes of the investment community, the group's shares have proved somewhat of an enigma in recent months with the price having dropped to a low of 1 235c in March and bouncing back to 1 675c at yesterday's close.

At these recent levels they offer a 5.8% dividend yield which, under existing market circumstances and the management's expression of faith in future profitability, should appear reasonably attractive.

There is nothing to indicate that there will be a major swing back into profit growth next year and with dividend cover already pared down to 1.9 times, there will not be a lot of scope for improving payments to shareholders this time around.

It is not a share to sell, but there could well be opportunities to pick it up again at lower levels.
Exports make Plate Glass shatterproof

By David Carte

PLATE Glass & Shatterprufe Industries is looking to treble exports to R50-million this year, whether or not the rand strengthens.

PG joint chief Ronnie Lubner says, "While other companies are looking at exporting because of the low rand, we have done the groundwork over several years, made the inevitable mistakes and can now reap the benefit."

"We have geared our export operations to a much higher rand. The fact that it is now is merely a windfall."

Biggest

Exports from SA manufacturing plants are only part of Plate Glass's international success. It is one of the world's biggest hardwood trading companies - "from forests to furniture" - and it is a major force in glass in the UK, Australia and parts of the US.

PG's top men, Ronnie and Bertie Lubner, say 48% of glass sales and 50% of wood sales are overseas. This means foreign sales are about R400-million.

Bertie Lubner says, "We are community dealers in hardwoods of every type. We buy them from certain. For Eastern, South American and African countries that officially don't trade with South Africa. They don't turn us away because we can do something better for them than anyone else can."

PG glass is also found in places officially hostile to South Africa.

High-tech

The special flush-glazing building glass produced for towers like 11 Diagonal Street has been in heavy demand in spite of the building slump and delivery times can take up to five months. Much of this "high-tech" safety glass that reflects heat and does not distort light is finding its way to foreign markets.

Surging exports have boosted capacity use in PG plants.

Thanks to good trading in the US and the weak rand, the foreign share of pre-interest profit rose from about 20% of the total to 30% in the year to March this year.

This implies foreign profits before interest and tax rose by about 30%, and SA's contribution fell by 25%. At the bottom line, the SA arm would probably have done far worse, for most of the 34% increase in the group's interest bill would have occurred here.

Sales topped R1-billion for the first time, reaching R1.46-million - but because of arrears conditions in the SA building, furniture and motor industries, as well as crippling interest rates, earnings fell by 9%.

As a sign of confidence and to underline its relative liquidity (debt is 28% of equity), PG lifted its dividend 5% to 18c.

The Lubners have good reason for satisfaction with performance since they took over in the bad old days of 1977. At that time the company was overegged.

Integration

Ronnie Lubner says, "We were so big in glass in South Africa that we had to diversify. Our mistake was to decide to go the one-stop route. We wanted to provide everything that went into a building."

"This took us into building supplies, lighting, fibreglass insulation and all sorts of areas outside our expertise." In 1977 we decided to stick to the two basic product lines we knew best - wood and glass. We decided on vertical integration within these products and to go international. Believe me, we burned our fingers many times but we never made the same mistake twice."

PG today is a case study on what more companies should be doing to reduce SA's dependence on gold.

Challenged

Another achievement has been domination of the SA market - now challenged in Sundowns by Weeglas. The Lubners dispute allegations that PG is a monopolist, saying imports provide competition.

Capital spending last year was R149-million, mainly on the Pilkington purchase, but is due to fall to R32-million this year. Priority for the next two years is to achieve better returns on and control of assets and to build up foreign distribution networks. This will entail fairly heavy borrowing, so gearing is likely to rise from current low levels.

At 11 Diagonal on a PE of 8.3 and yielding 6.3%, Plate Glass is one of the few in the institutional sector not overvalued. Price on 60c yields 8% and is 9.4 times earnings. Since control is sewn up, the premium on the top company is not justified.
**UK institutions sell R13,5m Kersaf stock**

BY PETER FARLEY

Market sources were unable to identify who was the leading buyer but those close to the transactions pinpointed a Cape Town-based institution.

Kersaf chairman Diercke supported this theory and emphasised that none of the company's principle shareholders, including himself, Sol Kerzner and Safren — between them holding 92% of the company — had been sellers.

Kerzner is overseas and unavailable for comment.

During last week almost 1,2-million Kersaf shares changed hands — the bulk being a single deal of 900 000 shares on Wednesday — at a cost of around R13,5m.

Stockmarket sources said that while 2,6-million new Kersaf shares were issued to UK institutions in mid-May, to fund the purchase of 40% of Kunick, the premium on the shares meant that a quick turn became highly attractive.

The shares were issued at 900c each. With SA minorities holding less than 8% of the company's stock, and local institutions prepared to pay virtually any price, the opportunity for the UK holders to take a quick profit was undeniable.

It remains to be seen whether the other shares will be offered for sale. But local market sources feel the UK shareholders now want to hold on to the balance.

If the rest are sold back into SA, Kerzner will have effectively sidestepped exchange control regulations — albeit legally — and the entire R24m needed to buy the 40% stake in Kunick will have come straight from SA institutions.

The way Kerzner structured the Kunick deal, the 2,6-million new Kersaf shares were issued straight to Kunick for the 40% stake Kunick then sold the Kersaf shares directly to UK institutions.

This meant that Kunick had around R24m for further acquisitions and allowed the group room to expand without diluting existing shareholdings.

The UK institutions were, however, expected to be determined holders of the new shares, particularly given the way the scarcity of the shares here has pushed the price to near-record stock market ratings.

The sale of the shares could therefore prove to be of greater significance than just mere profit-taking. The profit of R2,5m, although significant in such a short space of time, is hardly of any real importance to the institutions.

However, the sale of the shares must come as some disappointment to Kerzner, who had hoped to see the beginnings of an unofficial market in Kersaf shares in London. This is particularly important given Kerzner's already-stated intention to list either Kersaf or Sun International on the London Stock Exchange later this year.

Kunick, although it is focused clearly on the leisure industry, was seen by many analysts as a strange acquisition for Kersaf. Kunick has a wide portfolio of investments, ranging from pubs and discotheques to waxworks and an opera house — none of which represents an area in which Kersaf management has any real strength or experience.

Whatever the outcome, Kerzner has paid a PE ratio of around 20 on current Kunick earnings, which discounts growth for at least the next 20 years. It is an expensive entry into the international leisure arena and Kersaf management will have to work hard if it is to live up to the current high expectations of the investing public.
FEW ANALYSTS and investors can be surprised at the premium market rating accorded to Transvaal Consolidated Land and Exploration Company (TCL) — the 75%-owned mining arm of industrial conglomerate Barlow Rand.

TCL recently posted a strong set of figures for its half-year to March 31 — with earnings up 29% to R51,1m, compared with R39,7m previously — and in so doing provided one of the bright areas in its parent company’s own accounts for the same period.

But the latest figures far from tell the whole story behind TCL’s above-average market rating.

The share price on the Johannesburg Stock Exchange is perhaps now perceiving more clearly that the group, which either controls or manages all Barlow’s major mining investments, is poised for an exceptionally strong growth phase; a period of rapid expansion taking it beyond the year 2000.

Says deputy chairman Allan Sealey: “With Bibby’s in the UK now in place (following the Barlow’s acquisition last year), any opportunities for off-shore investments will be closely looked at.

Looking overseas is a question of chasing further growth. Coal expansion in this country is limited to export coal and Escom projects.

There could be further synthetic fuel projects, but we don’t see them coming to fruition in the next few years. If we want to look for growth beyond that, we believe we must look overseas.”

TCL, in the latest Financial Mail Top Companies survey, rated South Africa’s fifth largest mining house, above Anglovaal, in market capitalisation (R725,7m) and net profit (last year R31,5m), has a wide range of investments.

TCL is poised for an exceptionally strong growth phase — and deputy chairman Allen Sealey believes the group will find that growth overseas, writes PATRICK McLOUGHLIN.

These include interests in base minerals, forestry, timber and property. But more than half of last year’s attributable earnings of R31,5m came from its giant coal operation and gold mining interests — TCL manages four gold mines. Harmony, Blyvoor, Durban Deep and ERPM — in which it has sizeable equity stakes.

What particularly excites investors who take longer-term views is TCL’s successful expansion into massive capital projects in its coal and gold mining operations. TCL currently has no interests in overseas ventures, so Sealey’s statement represents a major extension to its stated corporate development strategy.

On the gold side, this development strategy included ERPM. Last week’s announcement of the go-ahead of the R560m rejuvenation of ERPM, one of TCL’s ‘dying’ gold mines with a limited life and low grade, represents a major boost for the entire gold division.

The ERPM project will extend mine life by another 30 years. TCL also hopes to prolong the life of its other marginal operation, Durban Deep. Comments Sealey: “Durban Deep has resources which will enable it to go on for years.” Another mine also appears on the cards: two drilling rigs are currently prospecting south of the Old City Deep and Crown Mines gold mines.

Some analysts are sceptical about whether the potential, mine will get off the ground because of government’s negative attitude towards the use of mining houses of existing mines to shield new developments from tax.

Nothing will be known until government’s position is clarified and the viability of the proposed mine further assessed.

Comments Sealey: “We find it difficult to believe he (Finance Minister Du Plessis) would do something that would prevent the creation of 25 000 new jobs.”

Coal mining is the other area of major expansion. Current developments include the Escom-tied collieries at Khutela and Majuba. These collieries will come on-stream in 1987 and 1991 respectively, and should double current total coal production, around 25-million tons, within the next decade.

Expansion apart, the latest interim results would justify a favourable share price for TCL in itself. The performance was far better than the conservative outlook given by TCL chairman Danny Watt in the annual report, in which he looked for static earnings for this year. With the markedly improved earnings environment, TCL believes second-half profits will be in line with the first half.

Two major factors affected TCL’s interim results: the gold price and the value of the rand.

In the first two quarters of this year income from gold production increased as the rand continued to fall against the US dollar.

The other major profit earner, coal, also benefited substantially from the currency movements. Major coal producers Witbank Colliery and Welgedacht Exploration, both 71% owned by TCL, export a big chunk of their total output.

Contract prices for coal exports, negotiated between October and December, were at about R33 a ton fob (free on board). Spot prices have since risen R4 more.

Sealey believes the spot coal price could reach R55 by the year-end.

The base minerals division, which last year earned money, is back in the black thanks to the rand devaluation.

The group plans to go ahead immediately with the ERPM expansion at an initial capital outlay of around R220m.

Khutela and Majuba financing has been finalised and TCL’s balance sheet remains strong. Depending on how ERPM is financed, Sealey says the group should be easily able to fund other ventures such as overseas expansion via Bibby’s.

TCL is apparently most interested in North America, which is currently seeing a rash of new gold mine developments, for overseas expansion.

With the current expansion taking place and the strong possibility of further ventures in the near future, it would appear that a restructuring of Barlow Rand’s mining interests is a strong possibility.
Let us turn to the newspaper stories on the various issues in Africa. The situation in Africa seems to be slowly improving, with the end of apartheid and the election of Nelson Mandela as President. It is hoped that this will lead to better cooperation and greater stability in the region.

The Landmark Group, a company known for its expansion into various markets, has recently announced its intention to expand its operations into Africa. This marks a significant move for the company, which has traditionally focused on the European and Asian markets. The decision is seen as a strategic move to tap into the growing economies of Africa.

The company has been active in developing new markets and has a strong track record in its existing markets. The expansion into Africa is expected to bring new opportunities and challenges. The company is well-positioned to take advantage of the growing demand for its products and services.

However, the company will need to address several challenges in the African market. These include infrastructure development, political stability, and local regulations. The company will need to work closely with local partners to ensure a smooth transition and successful expansion.

In conclusion, the expansion into Africa is a significant move for the Landmark Group. It is a testament to the company's commitment to growth and innovation. With careful planning and execution, the company is well-positioned to succeed in this new market.
R446m deal in offing

Liberty Life

poised for

UK takeover

LIBERTY Life's overseas expansion drive is gathering momentum, with the group poised to take control of London-listed property developer Capital & Counties (C&C) in a £170m (R446m) deal.

Liberty's UK 75%-held, unlisted subsidiary, TransAtlantic, is offering to buy the around 50-million shares in C&C it does not already own at 225p a share.

TransAtlantic bought yesterday an additional 4.8% interest in C&C, to lift its stake to 34.5%. As TransAtlantic's holding has breached the 30% level, in terms of the City takeover code it is obliged to make an offer to buy the remaining shares.

Liberty's chairman, Donald Gordon, said in London, "Our objective is not to get legal control of Capital & Counties, we are perfectly happy to stay with our 34.8% holding but it will be equally acceptable to us if we land up with full control."

Gordon, however, stressed TransAtlantic would ensure at least 40% of C&C's shares were in other hands — to keep the London listing alive.

One advantage of the offer is that TransAtlantic does not acquire full control in this deal is that it is free to buy up to 2% of C&C's equity each year without extending an offer to other shareholders.

Gordon points out: "We have broken the psychological barrier (30% rule) even if we do not acquire full control."

Certainly, with director Michael Rapp moving to the UK to play a pivotal role in overseeing Liberty's substantial overseas interests, further foreign expansion is on the cards.

Gordon admitted he would like to see TransAtlantic, which has capital employed of £200m, listed on the London exchange. TransAtlantic would be the 137th largest company on the London boards if it were listed there.

Indeed, TransAtlantic has the financial muscle to buy 100% of C&C's equity without the need to turn to its SA parent for funds. All the necessary finance for the deal was arranged in the UK within four hours, says Gordon.

Rapp, already on the board of C&C, which is the leading UK shopping centre developer, will take up the position of deputy chairman in July. He no doubt will draw on his considerable experience at Rapp & Master in his endeavour to guide the UK company to greater heights.

C&C's share price was hovering around a high of 220p two weeks ago. However, it fell back to 190p after the market decided the 1983 financial year's taxed profits of £7m were disappointing.

The share is currently changing hands at around 220p a share. The average cost to date of TransAtlantic's 28.5-million shares in C&C is only £2.39 a share with the 22.8-million shares bought in 1981 costing £1.20 each.
distinction between its "discount window," the rate at which it lends directly to banks, and the use of open-market operations.

At present, borrowing at the discount window helps smooth seasonal fluctuations in the liquidity of the banking sector. In future, however, this will be done by the Reserve Bank buying and selling Treasury bills and other paper.

The role of the discount window will alter. It will be used to signal changes in Reserve Bank policy to the market. Longer queues at the discount window will mean banks are borrowing excessively and will signal to the market the Reserve Bank's displeasure.

The broad monetary policy outlined in the report, therefore, contains both carrots and sticks. The benefits of less regulation are counterbalanced by strict sanction for stepping too far out of line. Hopefully this report signals the end of ad hoc application of policy decisions.

KEVIN STOCKS

Kevin Stocks, the FM's Senior Editor (Politics), died peacefully at the weekend. He was 44.

The son of a mining engineer, he was born in Durban in 1941, raised in various parts of southern Africa and educated at CBC Kimberley. He chose journalism as his profession and eventually became an outstanding investigative reporter. In covering the Information scandal for The Star and later the Sunday Times, he travelled widely to countries such as Israel and France.

He joined the FM in 1980 and soon became head of the Current Affairs department, which entailed direct reporting as well as co-ordination of coverage of political, labor and social events. He contributed many highly-regarded cover stories and leading articles to our pages — particularly on the growth of the civil service bureaucracy and the hidden perks of that sector. He was also an expert in military affairs.

His last printed article for the FM appeared on June 7, when he gave his first-hand impressions of treatment at the Johannesburg Hospital as part of a cover story on the increasing privatisation of medical services. He fought valiantly against his protracted illness, and when at home, but unable to be in the office, continued to work to the utmost of his cognitive ability.

While he had the relentless curiosity and flair for detail of a top investigative writer, he was also a courteous and supportive departmental head, and a warm family man. He also had a contemplative and artistic side which expressed itself in wood carving and an interest in poetry.

He leaves his wife Melissa and a three-year-old daughter Alexandra.

ANGLOVAAL INDUSTRIES

Emergent Cinderella

Anglovaal Industries (AVI) has the reputation of a well-managed industrial holding group that produces solid if unspectacular results, and stays out of the public eye. In the four years to mid-March this year, the share price oscillated around R9, and there was near unanimity among financial analysts and writers that it was fairly valued at this level.

The knowledgeable, however, were wrong. AVI (known as Anglo-Vaal Industries until late November) has shed its dowdy image and dazzled like Cinderella at the ball. A 55% rise from R9 to R14 in the share price in the last three months has produced a 33% dividend rating, among the lowest in the industrial holding sector. Yet, dividends have been stuck at 46c since 1982, while earnings a share have stagnated in the same period. A short-term correction is possible, as some analysts argue that the share has run

Conservative, low-profile Anglovaal Industries has avoided the embarrassing losses that have hurt other industrial conglomerates. Solid performances from the operating companies have led to a favourable re-rating of the share.

ahead too fast. But favourable prospects in the next few years should sustain the share.

Of course, AVI's price rise occurred on thin volumes as shares in Anglovaal group companies are tightly held and generally much in demand. From March to mid-June, only 70 000 AVI shares were traded, less than 0.5% of its share capital. Most of the buying was institutional, led by bank nominees companies Old Mutual and Prudential. Old Mutual is the second largest share-

The full-roast flavour of success

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holder in Anglovaal after the Herov and Menell families.)

Arguably, this rise merely brought the share into line with net worth, which at the December interim was R14.50. Anglovaal (with 65.2% of AVI) has seen the share advance in the last three months by 35%, from R66.50 to R90.

Other Anglovaal listed companies have also shown stronger share prices, so AVI's rise can be seen in the context of favourable market sentiment on the group as a whole.

Comments one analyst: "AVI has strong assets (I & J does better than ICS, Consol better than Nampak, Kohl and Metal Box, and Grundaker better than most of the construction companies. There are no losers like Samcor, and a conservative 4.7 times dividend cover means that capex should not restrain dividend growth much. There's little cover at Barlow Rand or Amic, and AVI has better medium-term prospects."

Says Jan Robbertze, AVI's MD and Anglovaal's executive director for industries: "Our portfolio of interests is balanced and focused and our packaging and several of the food companies are market leaders in their fields. We have low gearing and first-class management in the subsidiary companies."

Management was reorganised earlier this year, and the group companies were divided into six sectors - contracting and electronics, dry food, frozen food, packaging and textiles, and diversified businesses. "Previously," notes Robbertze, "the individual companies reported directly to me. By defining the structure more tightly, we have gained a clearer management focus in our activities. And by bringing the subsidiaries' chief executives onto the AVI board, we gain from each other's experience."

This structure creates a better framework to accommodate future expansion. But Robbertze sees the most attractive growth prospects in sectors where AVI is already active. Growth in packaging will be largely organic, as acquisition potential is all but exhausted, now that the packaging companies are owned by one or another of SA's major industrial groups.

Processed food presents takeover and diversification prospects (but AVI will stay out of commodity food trading), and Robbertze believes that growth in the services industry looks interesting. But overseas expansion, he says, is unlikely in the near future, and if AVI goes abroad, it would want initially to operate in an industry sector it knows in an English-speaking country and take a majority stake in the targeted company.

Speculation that South Atlantic, 75% owned by AVI, will be constituted as the holding company for AVI's food interests is "logical," notes Robbertze. But this option is at present not seriously mooted - the costs involved and the absence of a "specific reason" for South Atlantic's restructuring do not make it worth while South Atlantic already holds all AVI's food interests, except Bakers. AVI's second largest food company, as well as the controlling stake in Globe, an investment and engineering company. So the cost of a bit more administrative tidiness hardly looks warranted.

The crucial issue relates to the scale of future profit growth from AVI's mainly low-margin activity. Food provides solid and stable profits, but is a low-margin business. Engineering and textiles are more cyclical, and margins will improve when the general economy recovers. Packaging represents a high-growth area, with some R420m of AVI's planned capital expenditure in the next three years being earmarked for Consol, but fierce competition may pare margins. Electronics, however, could become a significant earnings contributor.

This exposure to low-margin business is reflected in AVI's return on capital employed. It has fallen from 19.3% in 1982 to 16.4% in 1984, but this reflects the recession and is a more credible performance than that of Barlow Rand, Amic, Tongaat and Gencor's industrial division, among others.

But Robbertze does not expect major changes to the present earnings spread, although engineering's share should rise in boom times, and textiles, which lost the equivalent of 16% of attributable profit last year, should contribute about 5% of group earnings when good times return. So the strategy will be to concentrate on good management and build on AVI's strong asset base to maximise profit. "To be in a low-margin business does not mean low profit," argues Robbertze, "and I'm confident that given AVI's existing portfolio, group results over time will significantly outperform the inflation rate."

In the present business climate, this will be a challenge. As Robbertze observes: "It is becoming increasingly onerous to excel in real terms, and it is an achievement just to stand still when one considers market conditions, the investment allowance cuts and tax increases. Still, shareholders are entitled to some real growth, and we would be dissatisfied if we could not perform to a

level of consistent, real growth in earnings, especially as the economy emerges from recession.

However, I & J, Consol, Grnaker, Bakers, Claude Neon and Tristel rank among the best profit performers in their sectors. AVI aims at keeping competitive and capitalising on the economic upturn with an ambitious capital expenditure programme in the next three years. Planned capex excludes the costs of any acquisitions, but the currently favourable debt equity ratios of companies in which the main capex will be concentrated should make it easy to absorb any financial strain. The debt-equity ratio at end-December 1984 at Consol was 21.5%, at I & J 21.5%, at Grnaker 20%, at Claude Neon 19% and at Bakers 17%

Consol’s R160m capital spending requirement will go on developing plastics expertise, completing the paper-packaging infrastructure and keeping ahead in glass-packaging technology. I & J has budgeted some R70m in three years in a significant trawler replacement programme and in developing its
geloven textiles will undertake a R10m modernisation of plant.

Earnings for the year to end-June should show AVI’s strength. Robbertze, at the interim, said he did not expect second-half earnings to match the first second, and this suggests that a relatively modest attributable profit fall of about 5% is on the cards for the year as a whole. This would certainly be better than the average profit fall in the industrial sector.

Looking at the subsidiaries, one notes that I & J’s 44% interim profit advance at end-December stemmed from sound management and a good market share in its fish and frozen foods activities. The Demont Commission is investigating the future management of fish quotas, and this holds promise that I & J will obtain clearer guidelines on which to base its investments in new trawlers.

Consol has expanded its presence in corrugated packaging by buying Marathon, Wilder Packaging and Speedbox, and it has broadened its plastics interests with the R13m purchase of Gundie Plastics (which electronics interests, while Claude Neon continues to produce earnings rises.

Coffee and tea distributor Beckett is having a much more successful second half as margins have been restored, following their erosion in the second half of last year by sharply rising tea and coffee prices and the rand’s fall. Earnings should recover from the 37% net profit drop at the interim.

Globe Engineering, which is debt-free, could see profits rise over 30% this year, since its ship repair business appears to have improved. Steelmetals is holding its own, and unlisted Tristel takes advantage of its relatively low cost structure to continue to trade profitably. But Rsa Investments remains a problem area.

A total 46c dividend should easily be maintained this year on the strength of strong cover. This would mark the fourth successive year of an unchanged dividend, and the board, arguably, should increase the payout to take account of inflation. But, given the traditional conservatism of AVI’s dividend cover, this looks improbable. Still,

Chairman Hersov ... solid investment

cold chain distribution facilities Grnaker will spend R60m, of which R60m will go on plant replacement. Bakers, which produces about 75% of SA’s biscuits, plans to upgrade its Natal brood mills and modernise the Pyott biscuit baking business, which it bought from Premier last year. Steel merchant Tristel plans to expand its Roodekop site in order to enlarge its business, and AECI bought two years ago from Clifford Gundie for R20m), and is increasingly becoming a multi-product packaging supplier.

The near tripling of Consol’s share in the last three years, from R13,75 to R33, underlines investor confidence, and contrasts in the same period with increases by Namspak from R6.50 to R15.25, Metal Box from R3.65 to R5, and Kohler’s slide from R10.25 to R6.50. Construction group Grnaker, says Robbertze, will be used to expand AVI’s

dividend increases can be expected when the economy recovers, despite heavy capex in the next three years.

Longer term, AVI is set to continue producing solid profit advances, and the share should retain its premier rating. Further short-term capital gains look unlikely, but the outlook for stable dividend growth makes the share attractive as an institutional counter, or for investors looking for assured income.

Christopher Marchalld

Avi's Split

Attributable profit by activity

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Construction & Engineering: Food: Packaging: Textiles: Other
NAMIBIA

Always in transition

Namibia's transitional government got off to a shaky start. Despite the show of unity, there are serious differences between the six parties in the consortium. Its credibility, never high, is low. Among ordinary Namibians, there is unprecedented apathy.

But the government's main rival, the South West Africa People's Organisation (SWAPO), has its own headaches and faces probably its worst crisis in years. The possibility that the government of the Multi-Party Conference (MPC) will use its new wide powers to win hearts and minds by making popular changes, while the security forces further undermine SWAPO's already weak military position.

While it does not seem as though SA has worked out a blueprint for Namibia's future at this stage, it is clear in Windhoek that UN Resolution 435 has never seemed less likely to be implemented.

Observers believe the transitional government, in the face of international condemnation, is part of a new and more aggressive SA regional policy. SA's dominant attitude after the Cbunda debacle, the Gaborone raid, and repeated warnings by Cabinet ministers and senior officers of possible fresh raids into Angola are seen as further manifestations of this new attitude, which is probably connected to growing tensions and the fast deterioration of US-SA relations.

The new government was inaugurated on Monday. The small, official ceremony was attended by State President PW Botha, Foreign Minister Pik Botha and Defence Minister Maguie Malan. Very few people turned up for the big military parade, but some 20,000 people, bused in from all over the country, assembled in the sports stadium. It was a subdued meeting, overshadowed by the military, and even MPC leaders agreed that it was everything but a spontaneous, jubilant African celebration.

The most glaring weakness in the new government is its inability, because of inter-party squabbling, to agree on a cabinet chairman. The chairmanship will now rotate every three months, and the first man to hold the post is the little-known leader of the Coloured Labour party, Dawid Bezuidenhout.

The cabinet's first press conference painfully showed up the division on this, and other, fundamental issues South West Africa National Union (SWANU) leader and cabinet minister Moses Katjyuongua issued a statement before the press conference calling the rotational system "stupid," and even spelled out preconditions for further participation.

The new government will have full powers — excluding jurisdiction over foreign affairs and defence. The proclamation signed at the occasion by the State President makes provision for a limited veto power by the Administrator General, who is SA's representative, but gives the State President full veto powers.

There will be a cabinet of eight ministers with eight deputies, and a national assembly of 62 members. The MPC's earlier declaration of Fundamental Human Rights is enshrined in the proclamation.

The day of festivities was marred by a late evening outbreak of police violence in the Jack township, Katutura, directed at SWAPO marchers and other parties opposed to the new arrangement. In a way it saved the day for SWAPO, which could only muster some 2,000 supporters, a good half of them from the other opposing parties, at a protest meeting.

President Botha gave a glimpse of what may be in store for Namibia in his speech at the inauguration. He said: "For as long as there is a possibility that the recent international negotiations hold any realistic prospect of bringing about the genuine withdrawal of Cuban forces from Angola, the SA government will not act in a manner irreconcilable with the international settlement plan. However, the people of SWA, including SWAPO, cannot wait indefinitely for a breakthrough on the withdrawal of the Cubans from Angola.

"Should it eventually become evident, after all avenues have been thoroughly explored, that there is no realistic prospect of attaining this goal, all the parties most intimately affected by the present negotiations will obviously have to reconsider how internationally acceptable independence may best be attained in the light of prevailing circumstances.

Another glimpse of Pretoria's thinking on Namibia came from a senior military spokesman at a press briefing on Tuesday. He said SWAPO and its military wing, the People's Liberation Army of Namibia (PLAN), are beginning to part ways because of Plan's weak military performance. He foresees SWAPO soon becoming "just one of the 35 political parties in the territory."

It has long been rumoured that SA wants to force SWAPO to lay down arms, come back as a political party and then deal on an equal footing with the parties in the MPC government.

The officer commanding the SWA Territorial Force, General George Meiring, said at the briefing that the security forces are "now in the process of winning the counter-insurgency war."

GABORONE RAID

Plus ca change

While SA's international relations nosedived following its reprisal attack on suspected ANC houses in Gaborone last Friday, basic

61
Clicks intends to branch out in Melbourne

CLICKS, the Cape Town-based toiletries and gifts chain, has bought a half interest in a six-store group selling similar goods in Australia.

Price Line six stores in the Melbourne area.

It is planned to start expanding the chain early next year. Clicks chairman H Goldin is leaving for Australia this week to inspect sites for new stores.

Goldin said Price Line had tried to copy the Clicks concept but had not performed well.

However, since the acquisition of the half interest in the chain, Clicks has sent a top management team to Melbourne and has introduced many of its systems there.

Additional lines have been added and Price Line is on its feet. According to Goldin the potential for growth in the retail trade in Australia is phenomenal.

Price Line could eventually be a larger group than Clicks which has 57 stores in SA.

Clicks exports toiletries to Price Line.

— Sapa
Richard E. Grant, CEO of Ondine, and Ondine's Chief Operating Officer, have been exploring opportunities to expand the company's operations into new markets. Their focus is on developing partnerships with existing players in the industry to leverage existing infrastructures and resources. The expansion strategy involves identifying potential acquisition targets and formulating plans to integrate them into Ondine's existing operations. The company is also looking into potential strategic alliances to enhance its market position and access to new customer segments. Ondine's vision is to become a leader in its industry by leveraging the strengths of its core business while exploring new horizons.
Liberty succeeds in taking over London's C & C

LIBERTY Life has succeeded in its £172m (R446m) takeover bid for the London-listed property developer, Capital & Counties (C & C)

Yesterday, British institutions — on the last day of the offer — accepted the cash offer of 225p a C & C share after waiting in vain for a counter bid or an increased offer.

Liberty's British 75%-held unlisted subsidiary, TransAtlantic's stake in C & C rose from 34.5% to 79% following the flood of acceptances. TransAtlantic is heading the assurer's overseas drive as C & C directors refused the bid for their tiny holding and apparently all board and senior management remain committed to the company.

Chairman Donald Gordon said in London: "C & C still has 4,000 shareholders (before the deal 5,000)."

Now that the institutional investors have opted for the cash offer, the small shareholders who in terms of the city code now have another 14 days to accept could well follow the institutions' lead.

When the C & C takeover bid was launched more than a month ago, Gordon stressed that TransAtlantic would ensure that at least 40% of C & C's shares were in other hands — the objective being to keep the listing alive.

Gordon is unperturbed by the high level of acceptance, but concedes that TransAtlantic may now well consider holding in excess of 75% of C & C's equity. He envisages no problems if TransAtlantic is forced to place C & C shares with other institutions to keep its London listing alive.

C & C, which is a leading British shopping centre developer, posted taxed profits of more than £27m in the year to end-March.

The acquisition of C & C is expected to help lift the Liberty group's total assets to around R8bn (R6bn) by the end of this year, according to Gordon.
LTA Doval sold to gain Aussie contracts

IN a bid to capture Australian government contracts next time round, LTA Construction has sold off more than 50% of its wholly-owned civil engineering subsidiary in Brisbane.

The move follows the loss by LTA Doval Construction of two separate contracts totalling A$11m on Brisbane's new international airport—a direct result of the June ban on bids for federal projects by majority-owned SA firms.

The majority share of LTA Doval, explains LTA Construction deputy chairman Mike Ridley, has been sold to an Australian firm of accountants in trust with irrevocable instructions to on-sell to Australians.

All was not lost however. LTA Doval did manage to hang on to a contract it won before the ban. This was a A$12m paving contract for the same airport.

And after resubmitting its two previous tenders for the airport following the sale of the company, LTA Doval came third both times in the tendering process.

The company which now employs a staff of roughly 100, was bought as a shell in August 1984, and started to win government work in December. Its only South African employee—though not for long once his new citizenship comes through—is Peter Owen, who heads up the company.

According to Ridley, LTA was going to sell at least 40 percent of LTA Doval in the next two years anyway. "We wanted to do so once the company got into its stride. Even at this point, the company will have to win more contracts—both private and government—before it is saleable."
VOX POPULI

"The Natal/Kwazulu Option" is the talk of Natal Seminars on the topic are being held, local newspapers write about it regularly, it is widely discussed by organised commerce and industry — and even the man on the street is talking about it. This is what some Natalians say.

\[\text{Richard Castle, chairman of the Pietermaritzburg branch of the Natal and Zulu administration.}\]

Surveys done in 1981 for the Buthelezi Commission indicated wide support among whites, coloureds and Indians for the commission’s proposals on independence of Kwazulu and for closer co-operation between Kwazulu and Natal administrations.

Says Natal University vice-principal and Buthelezi Commission chairman Professor Deneys Schreiner: "The urgency of the SA situation requires bold action by our politicians. The public of Natal, of all race groups, cannot afford the passive acceptance by our present politicians of the subject join of localisation to a central policy totally unsuited to this area."

Indeed, there will not easily be another chance like this to start the slow process of normalising SA society. All that is needed is courage and a leap of faith by government. Natal is waiting.

PLATE GLASS

Global challenger

Plate Glass’s joint executive chairman Bertie Lubner is regarded as a more conservative man than his brother Ronnie, with whom he shares the chairmanship of Plate Glass (PG). But there is no doubt that the brothers’ complementary skills have expanded PG from a local family-run timber and glass business into SA’s biggest industrial multinational.

The market is impressed and has rated upwards PG’s share and that of its holding company, Placer, which is jointly controlled by the Lubner family and Liberty Life. PG capital was traded and both shares are tightly held. But PG is considered soundly run, holds dominant shares of its markets, has attractive international exposure and promises solid and sustained longer-term earnings growth.

"Ronnie and I don’t run the business," says Bertie, "we motivate it. We are getting a better market share because our people are motivated. There is a confidence in our executives, there’s depth of management. We employ top-rate people with leadership qualities. We agree on philosophy but the man-

DIFFERENT VENTURES...

Divisional contribution to sales and operating profit

(includes associated companies)

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<td>69%</td>
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<td>P.G. Wood Industries</td>
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...LED OFF SHORE

Contribution to sales and attributable earnings by country

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Financial Mail August 8 1985 33
agers operate with their own styles and create their own individual loyalties. A man spends most of his waking life at work and if he's not motivated, the larger part of his life is not motivated.

Lubner would like to see the same inspirational approach followed in tackling SA's political problems. The State of Emergency has damaged business confidence, delayed the economic recovery and hurt the fortunes of Plate Glass Lubner believes that a national "board of directors" drawn from the public and private sectors should draft a plan for SA's political and economic recovery. Progress should be regularly monitored, so laying the basis for the return of internal and external confidence.

He believes that economic recovery would follow and the resultant growth would be good for all — companies, managers, workers, shareholders, the fiscus, and national wealth. Lubner's is a humanistic approach, married to a sense of the practical. He and his brother are shrewd businessmen and generous sponsors of charities and educational exchange projects, such as that between SA and Israel's Ben Gurion University, of which Lubner is a governor.

What marks the brothers' style is the ability to plan and take the long-term view. In SA, this means that PG's strategy has been to aim for a dominant market share in the distribution of glass and wood products, the two commodities which it supplies mainly to the furniture, motor and construction industries. The deal with Pilkingtons in 1983 gave PG control of a bigger stake in SA glass manufacturing. Of the two operating divisions, Solglas International is the larger, accounting for 61% of sales and 69% of operating profit. Wood interests are concentrated in PG Wood Industries.

Overseas growth began in the Fifties, based originally on the need to protect timber supplies, since SA suffered from timber shortages, and most of the world's timber is grown in politically unstable areas. By spreading its activities to the equatorial forest belts of south-east Asia, Africa and the Amazon jungle, PG sought a spread of sources which would insulate it against supply disruptions from any area. The group now operates in 13 countries on six continents and its timber distribution arm, Intermat, is claimed to be the largest in the world. PG imports about 70% of SA's hardwoods and accounts for some 50% of local timber sales.

Foreign expansion in glass was undertaken to protect PG's earnings base from the full fluctuations of South African business cycles. It was also a means of ensuring higher growth, once market dominance was achieved in SA, without having to move into new fields of activity. Overseas glass operations started in 1972 when PG bought O'Brien's, the largest integrated glass business in Australia.

PG later expanded into the US and the UK, and the group is now the UK's largest glass trader. In running the overseas branches, Lubner stresses that top management needs to consist of local nationals who enjoy full day-to-day autonomy, as the international companies could never be administered from thousands of kilometres away in Johannesburg. At the same time, the local company relies on PG for technology, group buying, and financial support.

Says Lubner, summing up the international business, "There is no group in the world which compares with us in handling the volume of hardwoods and glass materials, or which has such an integrated facility for supplying, shipping, marketing and distributing glass and timber. Our tie-up with Pilkingtons, which is a world-class supplier (unlike timber buying where we deal with thousands of small suppliers), gives us buying strength, and there isn't a major city from Sydney to New York, London to Los Angeles, or the cities of Africa and the Middle East, which do not have our glass. Maybe Moscow hasn't,"

PG's turnover, on the back of foreign expansion, has grown by an annual compound average of 34.7% since 1981 and reached R1.1 billion in the year to end-March. Of this, R324.8m was attributable to "ident turnover," the low-margin, high-volume trading activities of Interpol. Operating income since 1981 has grown by an average annual compound 16.8%, but earnings a share have remained static, hardly moving from 202.9c in 1981 to 200.7c in 1985 — an 8.9% fall on 1984's 220.7c.

The bottom line stagnation in earnings has been attributable to higher gearing and reduced returns on capital employed. Interest paid nearly doubled last year to R25.0m from R13.3m (R9.9m in 1983) This situation, Lubner says, derives from the overseas
companies' high gearing, as SA exchange controls have limited the export of adequate capital to fund these operations. The rand's depreciation has also magnified the interest bill in rand terms.

At home, the need to finance a longer-term debtors' book in recessionary times, and higher stockholding costs (owing to the weak rand and inflation), have further raised borrowings. Lower interest rates will reduce the interest bill, although progress will be slow, but Lubner stresses that PG's low 0.38 debt equity ratio (0.33 in 1984) places group borrowings within a comfortable margin.

Returns on capital

Of longer-term importance is the likelihood of reduced returns on capital employed compared with historic levels. Returns before interest and tax on capital employed fell from 28.8% in 1982 to 18.7% in 1985. Much of this decline is, of course, the result of the recession, but Lubner indicates that the previous group target of a 25% return before interest and tax on capital employed may have to be revised.

This would largely be the result of lower returns earned on non-SA investments. Despite the economic upswing overseas, these last year contributed 31% of turnover but only 32% of attributable profit — and that at a time of a weaker rand and SA economic recession. Lubner argues that SA historically offered higher returns (owing to its higher inflation rate and the group's entrenched position, while in the highly competitive but politically stable markets of the US, UK and Australia, a 25% return is impossible.

"A strategy of quality and security of earnings," he says, "means lower returns, but we know what we are going to earn. The more we go overseas, the more our return on gross assets is going to come down."

Yet overseas earnings certainly bolstered income in the year to end-March, and contributed to results which were better than the market expected. Lubner says PG also benefited overseas from the lag situation, in that most timber and glass sales come at the end-stage of construction which was not badly hit in 1984, as construction contracts awarded in earlier years were not yet complete.

Earnings in the year to end-March 1986 will look a lot more grim and trading conditions will severely test managerial skill. In SA, the sharp slide in demand for wood and glass in PG's main furniture, motor and construction markets has placed margins under severe pressure. Abroad, there are signs that the US economy is slowing down and Solglas's foreign profit of absolute terms may not be as strong as last year.

On the wood side, Intervil's margins are being squeezed as falling timber prices and the dollar's volatility have caused customer destocking, delayed purchases, and the need for write-downs to reflect the lower value of timber stocks. (These are priced in dollars and Intervil makes its best profits when world timber prices are rising.) The Central African division is recovering but Lubner does not expect increased profits this year.

Because SA exports will provide compensation and Lubner forecasts that wood product exports could rise from R3m to R10m this year and glass exports from R18m to R40m. However, shareholders would do well to brace themselves for an earnings slide.

The dividend looks safer as PG's policy is to maintain consistent dividends and cover remains as a fairly comfortable 1.9 times. Last year's unexpected rise in the total dividend from 100c to 105c, despite lower earnings a share, was in line with the aim to show at least some dividend improvement. The dividend had shown minimal growth compared with 1982, and, unless earnings fall too drastically, this year's dividend should be held.

Challenges of growth

Longer-term, the group faces the challenge of avoiding asset growth which outstrips a commensurate rise in profit. But overseas-sourced profit will continue to grow and Lubner believes the UK offers exceptionally good prospects as heavy start-up costs are absorbed and Solglas captures market share. Growth in the US will have to come from new activities outside of motor replacement glass and PG recently took over the flat glass trading company in Texas Australia remains very cyclical.

As for SA, Lubner sees tremendous profit potential once economic recovery comes. "We can absorb another 30% of turnover and the fixed cost element would hardly change," he says. "We could produce 15% on SA sales, far higher than any profit increase overseas, compared with a present 8%." Listings of either of the two operating divisions, or of some of the overseas companies, are possible, though not in the immediate future.

Since mid-July, the PG and Placor shares have retreated as the market declined. Placor falling by a relatively sharp 20%. PG's share now stands at R20, which yields 5.3% on dividend compared with the industrial holding sector average of 5.6%. After the recent price surge, the shares would appear to represent more long-term value Placor, by virtue of its higher dividend yield, is perhaps marginally more attractive. But there is no doubting their potential. The problem with buying these stocks is that they are difficult to get.

Christopher Marchand
Melbourne — Hypermarket pioneer Raymond Ackerman is once again on the move in Australia. This time his eyes are on Victoria after the success of his $23m venture in Queensland.

"It was only natural that we would expand because of the Aspley (Queensland) success," said the managing director of Pick 'n Pay Australia, David Goldberg.

"We are confident Victoria is the best place to do it." Aspley, jointly owned by Pick 'n Pay and the Victoria-based retailer, Perseveres Wright Consolidated, boasted 75 checkouts and has astounded Australians by its sheer size.

Yet while the venture has been acclaimed a runaway success, there is opposition to its emulation in Victoria.

Local solicitors Rigby & Fielding have taken out a Supreme Court writ on behalf of a shopping centre developer, Herschel Holdings Pty Ltd, alleging that the initial permit to develop the site at Taylor Lakes, where the new Pick 'n Pay is scheduled to go, was granted in 1980 to Waltons Bond Ltd for the development of a regional shopping centre.
US setback for Baracuda

LAWRENCE BEDFORD

POOL-CLEANER manufacturer Kreepy Krauly has won its court battle to keep an automatic model, made by rival South African company Baracuda, out of the lucrative United States market.

The decision does not, however, bar Baracuda from the market.

Kreepy Krauly had fought the issue on the basis of infringement of its patents by Baracuda right up to the final court of appeal in Washington.

Full details of the judgment were not available, Kreepy Krauly chairman Danny Chauvier said yesterday.

The decision is being looked on as a reversal of one in South Africa in the manufacturers' patent battles in the early 1990s.

In that action, Baracuda was the victor. The Washington court is understood to have indicated that it was not bound by the law of another country.

Kreepy Krauly and Baracuda have spent more than $2m on court battles in the US.

Baracuda chairman Helga Schneider said yesterday the company had already replaced the infringing model in the US with a new one.

He said he understood Kreepy Krauly was planning further action against Baracuda for compensation.

This was confirmed by Chauvier.
Genbel foreign foray fails to pay its way

By Kerry Clarke

GENBEL says that although foreign investments bought with a R66-million Eurobond issue are not earning enough to cover interest on the loan, they hope to report in a year's time that they were wisely chosen.

Chairman Hugh Smith says earnings from foreign investments should be sufficient to cover Eurobond interest within five years, although this will obviously depend on the results of those companies.

More than half of the bond's proceeds have been invested in mining and oil and gas securities. The balance is in the money market, pending the acquisition of suitable securities.

Market value

The investments and their market values include: Hampton Gold Mining Areas PLC (R3.5-million), San Juan Basin Royalty Trust (R7.5-million), Ferriana Basin Royalty Trust (R5.5-million) and the unlisted Charterhall North America PLC with a directors' valuation of R4.5-million.

Mr Smith says the growth potential in both earnings and capital value should make the diversification worthwhile. Earnings and dividend growth of the foreign investments are about 10% a year.

Until income covers the Eurobond interest, the bill will be met by uninvested funds.

Badly timed

Genbel has accounted for an ill-advised foray into international dealing and a badly timed venture into the gilt market which cost it R2.4-million in the year to June 1985.

Net income after tax, but before investment transactions, rose by 14% from R55.5-million to R64.5-million, but after the write-off, total surplus rose by only 0.2% to R55.2-million.

Mr Smith says in the annual report: "It became clear in mid-year that our investment in an international dealing company — Greenwell GIC Securities Limited — was not achieving the success of which we had originally hoped but worse was suffering mounting losses. In March 1985 it was closed."

The company lasted barely six months and found it was unable to compete with the large US-based brokerage houses, such as Merrill Lynch and Drexel Burnham In its short life, the company dealt in SA mining assets and international resource shares, and experienced shrinking trading volumes in those areas.

Mr Smith says the group also hoped that the acquisition of a sizeable portfolio of fixed-interest securities, largely funded by use of overdraft facilities, would realise worthwhile dealing surpluses.

Plight

"Clearly, our timing was incorrect because with the country's economic plight worsening, we hoped for an increase in values of this sector did not materialise when anticipated."

"This fixed-interest portfolio was disposed of without serious loss and the overdraft paid off. However, the dealing losses, together with the negative gearing, cost the company more than R5-million."

Mr Smith says if there are no unforeseen adverse trends, the current year's results should improve, although the extent will depend on inflation and the exchange rate.
Altron makes a secret offshore investment

PRISCILLA WHYTE
ALTRON, the holding company for the Aitech electronics group, has made a secret offshore investment.

Chief executive Bill Venter announced yesterday that the financial performance of this new acquisition—a wholly-owned subsidiary—would be accounted for in future Altron group results.

He refused to reveal details because of the sensitivity of South African operations abroad.

He said "I am not at liberty to say what business the acquisition is involved in, how much was paid for it, or in what country it is based."

The new offshore acquisition, which was financed from existing capital, now generates about 8% of group sales, together with other foreign activities.

Venter has no intention of stopping there. He wants offshore activities and exports to contribute 20% to group sales by the end of the decade.

See Altron Group Results, Page 8.
Altron ties up foreign packages

ALTRON, the holding company for the Altech electronics group, is not only making secret offshore investments but it is also signing technical know-how agreements overseas.

Its MSN printed-circuit division has a number of agreements with leading overseas licensees.

"The agreements were signed as a result of strategies developed in a study group," says MD Peter Wilson.

For obvious commercial reasons Wilson is tight-lipped about precisely what these strategies entail.

"To say more would be tipping our competitors' hands about the future direction we intend to take."

MSN has agreements with Schöller Elektronik in West Germany for printed circuits, flexi, flexi/rigid and multi-flex circuits, and with Israel's Tadiran Electronics for thick and thin film micro circuits.

It is shortly to send senior production manager, printed circuits, Khulid Kharwa, and chemical manager Farouk Varachia to West Germany to initiate an extended programme of know-how transfer under its agreement with Schöller.

The programme, according to Kharwa, is a logistical type of relationship.

"MSN will benefit — and, indirectly, so will they. South Africa is already a self-sufficient printed circuit manufacturer but it is fundamentally important we keep abreast of new developments and the current state of the art."

"The demand by the total electronics industry for smaller and smaller components is in itself presenting the manufacturers such as Schöller and MSN with a host of new problems that need to be solved if they are to stay ahead in their field."

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Industrial Staff

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DIY firm takes over big UK timber supplier

PRISCILLA WHYTE

PG WOOD INDUSTRIES’ wholly-owned British subsidiary, Timber DIY Holdings, has acquired the entire issued share capital of an unnamed UK major wholesale timber supplier for £220m.

Payment will be made in two equal tranches.

Timber DIY will make a cash payment of £246m from offshore loans. The other £220m will be paid for by the issue of new ordinary shares in Plate Glass & Shatterprufe Industries (PGSI) and Placer.

The acquisition is not expected to have an immediate impact on the net asset value or earnings a share of PGSI and Placer.

Significant medium- and long-term benefits are, however, expected to accrue.

The name of the newly-acquired UK concern is apparently being withheld, because of possible political repercussions.
Mutual shows its muscle

Old Mutual's decision to replace the BP Centre and five adjoining buildings in downtown Johannesburg with a R700m new development may look like bravado to some.

After all, OM's decision to go ahead with its biggest property development to date has been taken while the economy is still in retreat. Also, of course, downtown Johannesburg is not everyone's favourite office spot at the moment.

However, property investment manager Mike Raggett is having no sleepless nights. By his reckoning the current glut of office space will be fully absorbed within two years and the OM venture should then hopefully stream into a landlord's market.

The new building, on a 3 968 m² site, will offer 14 floors of offices with a net lettable area of 27 313 m². The ground floor is earmarked for 1 280 m² of retail space and there will be parking for 300 cars on three basement levels.

The development, bounded by Harrison, Pritchard, Kerk and Loveday streets, has been provisionally code-named 1066 and will be ready for occupation in 1989.

"There are no known plans that will impact on the supply of CBD offices until well after our project is completed," says Raggett. "Known new supply of prime office space will also be absorbed and demand should exceed supply by the end of 1987."

He estimates there is less than 50 000 m² of vacant prime office space in the CBD and Braamfontein, and that only another 34 700 m² will come up in the next three years. "Thus," reasons Raggett, "the total take-up in the next three years must be less than 28 500 m² a year if equilibrium is not to be achieved before our project comes on stream.

"Given the office-letting performance in the last quarter in a very depressed market, I believe our take-up estimates are conservative."

There can be little doubt that 1066 will provide a psychological boost for the CBD north of Commissioner Street and east of Simmonds. Recent development has tended to go the other way — south of Commissioner and west of Simmonds.

Raggett continues to see the Johannesburg core as "the most attractive office area in South Africa."

It remains, after all, the most influential business district in southern Africa — and perhaps all Africa — which leads Raggett to conclude that the CBD will follow international trends and command a premium over decentralised accommodation.

His prediction, taking inflation into account, is that the going rate for prime space in the area will be more than R20/m² by the end of 1988 "and it is probable that required returns will come down to levels of 8%-10%".

OFFSHORE HOTELS

Camores calling

A multi-disciplined South African consortium, headed by Johannesburg architect Peter Bold, is finalising plans for a R25m tourist hotel complex in the Camores. Hopefully most of the cash will be coming from the Industrial Development Corporation (IDC) which is expected to confirm the loan this week.

The IDC's Dirk van Staden says the corporation has agreed in principle to advance the money, but as it regards the loan as export credit it is demanding credit guarantees. It will be the IDC's first ever hotel venture outside southern Africa.

Credit Guarantee Insurance Corporation (CGIC) of Africa has been asked to guarantee the loan and, says MD Jan Bouwer, "we are sympathetically disposed to the scheme. We are waiting to see what (financial) proportion the consortium will lay before us."

Bold believes the CGIC wants to satisfy itself that the consortium's other financial sources are sound before it agrees to underwrite the loan. He expects approval this week.

Everything else is in place. The government of the Camores Republic, which consists of three islands in the Mozambique Channel (a fourth island is still a French dependency), has given its blessings to the project. Also, a contractor and the professional consultants have been appointed. Bold's firm, Rhodes-Harrison Fee and Bold, drew up the plans.

Bold and his partners formed TBS Development Company to put together a package for presentation to the Camores government, the IDC and other interested parties.

Landmark International of the UK, which sold the La Pague Sun and the Toucserok Sun in Mauritius to Sun International, is a member of the consortium and will operate the complex. A Sun International spokesman confirms that the group was also interested in the area — "but nothing came of it. It was so long ago I have forgotten the details."

The scheme involves the building of a new hotel with 150 bedrooms and refurbishing an existing hotel on Grande Camore, the main island. The plan is also to build and operate tourist lodges which will have another 30 bedrooms on the other two islands, Angoau and Moheli.

Bold says the Camores are regarded as the poorest country in the world, but the islands have tremendous tourist potential. They would appeal mainly to Europeans and South Africans.

A weekly SAA flight already links the islands with SA.
FUEL PRICES

Boost for economy

If the rand can overcome this week's blip (see Markets) and get back above US44c, a cut in the fuel price would be inevitable. According to one expert, for every 1c appreciation over 42,5c — the break-even point — there is a direct immediate impact on the price of fuel of about 1,6c/l, plus gst.

He believes that government, for economic reasons, is keen to reduce the price of fuel as soon as possible, suggesting that the pump price for 93 octane could be cut to 98c/l before March.

A great deal of crude has gone under the bridge since the authorities warned of the need to increase the price of fuel by another 6c/l from its current 102c/l for 93 octane. That was only in November, when the rand was struggling around 38c and crude oil was around $27,50/barrel.

But now the tide has turned, the rand is strengthening and the price of crude plummeting below $20. A petrol price cut will do much to consolidate the slight improvement in sentiment, buoyed by falling interest rates and the rising gold price. With inflation hitting 18.4% for 1985, there has never been a more fitting occasion to give the consumer and business a psychological boost.

Says Andre Hamersma, chief economist at Standard Bank. “We sit with severe potential inflationary problem. Psychology plays an important role in inflation, it would obviously be a good strategy if we could change expectations. It would be a shot in the arm for business, and remove the feeling of doom and gloom that has pervaded the economy for so long.”

He points out that a reduction in the price of fuel would bring down cost structures over a broad range of industries. “Perhaps we are heading for a period of greater stability, following the hectic price increases of 1985. A drop in the fuel price would be the first indicator that most of the price increases caused by the weak rand would have worked through the system.”

Tony Trew of Econometrix calculates that with a US45c rand and spot crude oil price of $25/barrel, 93 octane Reef petrol would fall to 90,1c/l, a drop of almost 12%. The total effect of this on the rate of inflation would be a drop of as much as three percentage points. “A US50c rand would reduce the price even further, of course, to 85,6c/l and slash inflation by 4.5%,” he adds.

Even crude at $27.50 would give a pump price of 98c/l. But government is playing a cautious game.

November increases

After the November increase, the authorities were subsidising the price from the central energy fund, and indeed had transferred almost R200m to oil companies to clear the “slate.” Since then it is believed the slate has accumulated another R140m under-recoveries.

The slate is a price balancing mechanism used to absorb monthly variations in the landed cost of fuel. Debts or credits are applied to reflect under- or over-recoveries respectively. In the long run the motorist ends up paying the full imported price. It is believed that with a crude oil price of $27.50/barrel, break-even is at a rand rate at around US42.5c.

The manner in which government deals with accumulated under-recovery will, of course, determine the timing of a fuel price cut. If the authorities repeat the November policy and wipe the slate clean immediately, full benefits of lower imported prices could flow through to the consumer within a month.

But, says Renier Roets, deputy director of the Department of Mineral & Energy Affairs, “We must ensure that the current situation is permanent before making far-reaching decisions. Besides, we don’t yet know what effect the drop in crude oil prices will have on landed costs.”

Certainly a falling petrol price would be the first of a number of import items to reflect a stronger rand. And one that could have the most beneficial effect on the economy. It would lead to better price performance generally, prices of imported consumer goods falling soon and intermediate goods and capital equipment reflected in end-products with a 3-4 month lag.

But we live in a very uncertain world, says Hamersma. Predictions are vulnerable to political setbacks, and we could move back to square one overnight. “High inflation is not our system yet. We will have another 3-4 months before inflation figures will still be high. My feeling is that from May they could start to improve, provided the rand stays strong.”

FOREIGN DEBT

Tit for tat?

Negotiations could turn sour overnight if mediator Fritz Leutwiler’s proposals are rejected by foreign creditor banks. The authorities have only until February 20 when the parties get around a table in London. Failure to reach agreement could result in foreign assets being attached by impatient creditors.

Despite official reassurances, SA companies have already opened bank accounts abroad to avoid reprisals from angry credi-

NEW MANAGEMENT BUY-OUT GUIDE

Management buy-outs are increasingly common abroad (see Markets last week) as a way of restoring managerial initiative and reviving cashed-up large corporations. The movement has also reached SA, probably the biggest instance being the buy-out from Blue Circle and subsequent successful relisting (as Hadeco Industries) of Hubert Davies, led by Bruce McIntyre.

Mick Davis, a senior manager of the international accounting firm Pricewater Mitchell (PMM), says the main factor inhibiting buy-outs in SA right now is a lack of venture capital. He hopes the Johannesburg Stock Exchange’s Development Capital Market will help overcome this. The Small Business Development Corporation (SBDCA) will also consider applications that meet its criteria.

Given that the technique is still new and little understood here, potential players of the game will welcome a brief guide published by PMM. Five chapters cover: identifying buy-out candidates; assessing prospects, negotiating the purchase; raising finance; and planning for the future.

Davis believes the low point of the business cycle is particularly opportune for buy-outs.

Managements of components of large groups that have cut back earlier in the recession may feel that they could respond to an upswing more positively without the shackles of group policy and group reporting.

Such management teams typically comprise two to six people who will have been with the company some time and feel they know it well.
Meanwhile, officials have failed to respond to FM questions regarding rumours that Reserve Bank assets could be seized. This fear is believed to have led to transfer of the trust fund — established for foreign creditors who refused to roll over loans — to the Public Investment Commissioners (PIC) (FM January 24) Attempts to get answers were blocked by the Treasury.

"The matter is sensitive now that debt negotiations are taking place and I do not think we should react further. The action has many implications and possibilities," says a Treasury spokesman.

Says another: "Of course the matter is broadly delicate and there was confusion initially about who was the debtor. But this problem has been sorted out." The FM was unable to get a final answer on who now owes the money to foreign creditors, but it is believed the PIC ultimately falls under the Minister of Finance.

TAXATION

Clarifying Life

By issuing a statement to clarify details of an earlier document on tax treatment of lifo stock reserves, Inland Revenue may have avoided potential court cases involving hundreds of millions of rand.s As predicted (FM September 13 1985), Revenue botched the fourth example given in its practice note on tax accounting for lifo stock valuation.

Revenue issued the original practice note because it was concerned that amendments to the Income Tax Act were ambiguous. When the note was issued, the FM suggested that the matter would be resolved through litigation rather than the line Revenue has adopted.

In terms of the new statement, it is a hard line indeed. It will "introduce legislation, with retrospective effect," in the forthcoming parliamentary session "to put interpretation of the provisions in question beyond doubt."

The full statement, issued by Commissioner for Inland Revenue Carl Schwenphausen:

"Section 22 of the Income Tax Act, 1962, was amended in 1984 so as to provide, firstly, for the withdrawal of the concession to value trading stock according to the lifo method and secondly, to ensure that certain overhead costs are included in the value of trading stock in accordance with Generally Accepted Accounting Practice. September 2 1985 Inland Revenue issued Practice Note No 3, setting out how the value of trading stock should be determined in order to comply with these provisions.

"The true intention of the provisions in question is that they deal with the situation where the taxpayer did not in the past take overhead ("future costs") into account in valuing trading stock under lifo, is illustrated in Example D in the Practice Note (See FM September 20 1985). An

In a move reminiscent of Liberty Life strategy, Old Mutual has acquired a UK company, Providence Capitol Life Assurance, from US interests for an undisclosed sum.

Part of Providence Capitol Corporation, the life insurance company has 24 regional offices, markets a comprehensive range of unit-linked life assurance products, and five authorised unit trusts.

Formed in 1968, it now has total assets of approximately £150m and premium income of £50m.

MC Levett, MD of Old Mutual, wouldn't give the price away, but said "We believe we got a fair deal. The acquisition was financed by funds domiciled outside SA, so there were no exchange control considerations."

He said that external funds had been accumulated from various sources transferred overseas. For example, emigrants from Zimbabwe took policies to the UK, relative assets being moved into sterling funds. Earnings on such assets had also been retained abroad.

Levett says the investment will enable Old Mutual to contribute towards the development of a significant UK life assurance and provide direct access to innovative developments in the UK financial services industry. For some time, apparently, Old Mutual has been looking overseas to "give it a window into the worldwide financial field, London was considered an ideal centre."

Foreign assets and earnings of life companies are not subject to local prescribed asset requirements.

In the New Republic Bank (NRB), established in 1970 primarily for Indian clients in Natal, has embarked on a foray into the corporate banking market.

The bank, which has assets of roughly R60m and is 50% owned by Standard Bank, believes that corporate banking offers the most opportunity for growth. It will provide corporate services from Johannesburg Durban and Maritzburg, including bankers' acceptances, trade bill finance, leasing and installment finance, short- and long-term loans, promissory note finance and selected foreign finance.

"If large project finance deals are required beyond the bank's immediate resources, NRB will syndicate the finance while retaining management of the account. Standard Bank could provide additional expertise," says MD Tony Botes.

The bank is establishing a separate corporate banking division.

It is also looking to expand retail banking services and extend linking into Standard Bank's ATM network in June this year.

being said is considered prudent to say at this stage," says one banker.

Creditors have made at least two attempts, both unsuccessful, to get their hands on South African assets in retaliation for money blocked by the standstill.

It is believed a group of US investors started litigation last year to get an order to seize South African assets. Another attempt was made by a Swiss bank (this matter has been settled, although details are not available).
Renewed confidence in SA's ability to pay

JOHN TILSTON

THE financing of international trade by SA companies has just about returned to normality, according to Johannesburg-based bankers.

Immediately after the shock of the foreign debt standstill imposed last September, many foreign companies selling goods to SA insisted that they received payment for goods at the same time as the order, despite the fact that trade credits were excluded from the standstill net.

Gradually the companies have regained confidence in SA's ability and determination to repay credits and to keep them outside the net.

But Standard Bank's international manager Manfred Schutte says, while there is a definite improvement in foreign banks' attitudes to SA, this has yet to extend to a willingness to increase credit lines to the country.

And while he confirms that trade finance has become easier since the standstill, he says there has been greater reluctance on the part of SA companies to take foreign loans.

SA companies have had their fingers badly burnt by foreign exchange losses and by being caught in the whole standstill imbroglio.

In addition, the depressed state of the economy is not encouraging borrowing, and so while there are certain foreign banks willing to re-lend the 5% repaid to them in terms of the Leutwiler agreement, some cannot find borrowers.

Schutte notes, however, that the disinclination to increase exposure to SA has resulted in credit terms for SA borrowers being generally limited to 90 days. Previously importers could get up to 360 days' credit.

Hill Samuel's Roly Boardman says that this restriction has not applied to local companies with overseas affiliates. These companies have traded on "open accounts", and generous credit terms. These have not been affected by the standstill and subsequent events.
LONDON — Liberty Life chairman Donny Gordon has made a serious approach to the UK investment trust, Continental and Industrial Trust (CIT), with a view to expanding Liberty's overseas interests. The approach by Transatlantic Insurance (TAI), Liberty's UK subsidiary, was confirmed yesterday by CIT director Peter Sedgwick. But Gordon was more cautious when approached at his London office yesterday, saying: "It would be inappropriate for me to comment."

It was reliably understood yesterday that a bid by TAI was imminent. The approach was announced to CIT shareholders on Monday and led to an immediate 6% jump in the share price to 810p. There was no further movement in the price yesterday. TAI already holds a 25% stake in CIT.

The jump in CIT's share price valued the trust at £137m yesterday, against a net asset value of £129m at the end of May 1985.

The Times yesterday identified Liberty Life as the bidder for the balance of CIT.

Gordon's TAI bid will further boost his image in Britain as one of the sharpest businessmen operating from SA.
Local insurance group on 
expansion trail overseas

By Duncan Collings

Insurance broking group Gamsy Melnick has turned its eyes overseas in search of additional capacity to serve an already-strained local market.

And unlike the majority of the other major broking groups in South Africa, it is not seeking an overseas partner to take an interest in the local operation, but rather is going to the UK and US markets to set up operations in those countries under the Gamsy Melnick banner.

Already in place is an operation in the US - Gamsy Melnick USA Inc - complementing the local national group comprising Gamsy Melnick Insurance Brokers, Gamsy Melnick and Boxwell Life and Pensions, Gamsy Melnick Hamner Insurance Brokers and Atricover.

Labs are taking place to expand the US operation which currently specializes in marine and property cover by a takeover to be announced at the end of operations. A new division was set up in the late 1970s, which was to be split as a separate business in a British Lloyds affiliation.

Mr Denis Gamsy, a partner and substantial shareholder in the group, says the new acquisitions are in place because the group will have access to the massive US capacity through the Miami-based Insurance Exchange of the Americas and the worldwide highly-reputed UK Lloyds market.

"The main problem," he says, "is that local capacity has diminished to such an extent that if we are to be able to place large accounts in the future, we must go to the international market." While Mr Gamsy would give no figures, he says that the group has doubled in size each year since its formation at the end of 1962.

Funding of the international expansion is "not a problem" and Mr Gamsy says that Press reports at the time of the AA Mutual collapse and liquidation court hearings that Gamsy Melnick was owed R25 million by the AA Mutual are nonsense.

We simply were a backer of Westtrust in its efforts to be appointed liquidators, "Our exposure to AA Mutual is minimal." And on the local front Gamsy Melnick is not standing still. In the process of formation is Gamsy Melnick Glassock Employee Benefit Consultants and another acquisition has almost reached finality.
IN a major effort to establish the group in the casino and resort industries internationally, Kersaf has made significant progress in negotiating projects overseas. But in future international ventures will be the concern of Royale Resorts International, recently formed in partnership with a major UK company, Kersaf does not intend to report on the details of overseas projects.

Chairman Dick Goss says in his annual review that shareholders will be kept informed on overall progress. The expansion through Royale gives the group a solid base abroad, with investments in overseas associates and cash resources now approaching R300m.

"It is a major group objective, within the medium term, to derive about one half of group earnings from our investments in overseas companies," he says.

The enhanced prospects overseas should enable Kersaf to show a moderate growth in earnings in the current year. Besides its overseas thrust, Kersaf will continue to expand in Southern Africa wherever practical and expedient.

Capital expenditure of about R135m is budgeted for these operations in the current year. "International tourism is at present at a low level, and sanctions, if indeed they prove to be effective, are unlikely materially to affect the group. Until the country's image abroad improves, and particularly the perception overseas of the safety factor within South Africa, no recovery in the numbers of international visitors can be expected, despite the attraction of the cheaper rand."

Goss ascribes the success of Kersaf in bucking the trend of lower occupancies in the hotel industry to the quality of its resorts, the high standard of service and innovative marketing.

"The group's beverage and cinema interests achieved reasonable growth in earnings. Its ability to expand is enhanced by the current low level of borrowings. While policy is that borrowings should not exceed 60% of shareholders' funds, and interest payments are covered about five times, interest-bearing debt was only 13% of shareholders' funds and interest covered 12.5 times at end-June."
Pull-out threats blackmail, says Treurnicht

Johannesburg — Threats by multinationals to pull out of the country unless reform was speeded up were a type of blackmail, Conservative Party leader Dr A P Treurnicht said yesterday.

In a statement released by the CP Press office in Johannesburg, Dr Treurnicht said threats by multinational companies regarding their pull-out from South Africa unless the South African Government speeds up so-called race reforms is a type of blackmail or extortion which is totally unacceptable to the Conservative Party.

Dr Treurnicht said he was reacting to the recent statement by the chairman of Shell "who warned his employees that his company may pull out of South Africa if the Government does not speed up change".

Desist

"The Shell chairman is abusing his position of authority to dictate political attitudes for his employees. This smacks of Oppenheimerism — it is no secret that employees of Anglo American and its huge network of companies are only permitted to adopt a high profile in politics if they are PFP," the statement claimed.

Management of international companies must desist from the myth that by investing in South Africa, they are doing the country a favour," the Conservative leader said.

The CP will not allow employees of Shell nor the vast majority of white South Africans to be intimidated into committing political suicide to placate international finance.

Capitulate

"Shell South Africa is in South Africa because they make profits. General Motors is leaving because they don't make profits. They are both here with the consent of South Africans.

Their type of meddling does nothing to improve the consumer's perception of their companies. If they foolishly think that the ANC is going to take over South Africa and that the whites are expendable, they would do well to note the undertaking of the CP that it will never accept circumstances that capitulate to a black government. Shell and GM or no Shell and GM"

The statement also quoted the CP's spokesman on finance, Mr J B van Zyl, as saying that Shell "must be careful that its behaviour does not alienate the South African consumer.

"Shell must remember that South Africa will not miss them if they leave because many will fill the gap. South Africans are actually looking for investment opportunities in their own country as is evidenced by their reaction to the GM pullout. — (Sapa)"
PORT ELIZABETH—Three major motor industry unions said yesterday that job tenure should not suffer when multinationals withdraw from South Africa, but rather the companies' profits should "bear the brunt of the results of apartheid."

In a joint statement, the National Automobile and Allied Workers' Union, the Metal and Allied Workers Union and the Motor Industry Combined Workers Union said they condemned General Motors' 'high-handed decision' to refuse to negotiate with GM workers about their future. GM had drawn profits for 60 years from South Africa and now wanted to pull out with no cost to itself, making no provision for the future of workers.

The pull-out was of benefit only to the management, the statement said. 'Workers are no longer prepared to be the victims of unilateral decisions taken by capitalists.'

The statement said the pressure for sanctions and disinvestment was a result of apartheid. Jobs and the safety of workers should not suffer.

The statement demanded that all multinational companies in which the unions organised workers and which pulled out or sold out to South African businesses should:

- Give timeous notice to the unions and workers.
- Provide full details of their plans;
- Provide adequate information to allow workers and their organisations to make decisions about their future, and
- Negotiate the terms of the withdrawal.

The departing companies must guarantee that no retrenchment or redundancies would follow from the withdrawal or sale. (Sapa)

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Man shot Claim to
European companies to stay put—report

Dispatch Bureau

LONDON — European multi-national companies will not follow the American example and move out of South Africa, according to a report to be published this week by the Geneva-based Institute for Research and Information on Multi-nationals (IRM).

In an advance statement, the IRM stressed that little attention was being paid to the fact that three-quarters of all direct foreign investment in South Africa came from European multi-national companies (EMNCs) — and most wished to stay.

The report, titled European Multi-nationals in South Africa, which was prepared by a political scientist, Dr Geoffrey Hamilton, after extensive consultation with many EMNCs, said European links and capital investment in South Africa had a long history which was crucial to development and the eventual eradication of apartheid.

The Americans, by comparison, had only increased their investment after World War II — and their growth had not altered the pre-eminence of the European involvement.

Apart from the social, cultural and historic ties with South Africa, the EMNCs' return on investment tended to be greater, as well as more significant in terms of world-wide activity than the American groups, said the report.

Also, the EMNCs could not return to a large home market place like US companies, "they are far more dependent on an international market and cannot, dare not, voluntarily contribute to its shrinkage."

The Europeans felt that by staying and developing liberal employment practices, contributing to an improvement in the quality of life and economic stability, their presence was beneficial and would lead to the peaceful eradication of apartheid.

Dr Hamilton argued further that the Europeans did not adopt the same "political, campaigning posture" of the US firms whose withdrawals "made news."

The Europeans believed in the principle of non-interference in the domestic affairs of other countries.

When it was argued that South Africa should be an exception to the rule, they pointed to "questionable regimes" like the Soviet Union and many other African countries and "South Africa thus does not present a logical justification for being singled out for special treatment."

Europeans also had a different perspective from the Americans towards the system of racial segregation. The Europeans did not view "liberation" with the same equanimity, fearing that the "heavily tribalised" South Africa was very different from the westernised American black.

The IRM advance statement added "The key to dismantling racial segregation, for the EMNCs, is their employment practices and their wider social role in the local communities, promoting blacks to important managerial positions, providing special training, paying equal wages and recognising black trade unions."
No law against use by SA of Manx freeport

LONDON — SA companies can set up operations in the Isle of Man freeport area as long as they don’t infringe international sanctions agreement.

This was made clear yesterday by Whitehall sources reacting to a splash Press exposé in London that the SA government had held secret talks with Isle of Man authorities with such negotiations in mind.

Chief Minister of the Isle of Man, Miles Walker, said that after initial talks in 1985, there had been no continuing contact with SA about the use of the freeport.

The report of the approach by SA to Isle of Man authorities was reported as an audacious plan to evade international trade sanctions. It was the front-page lead story in the newspaper, The Independent.

The immediate result was that Labour Party spokesmen called for a statement from Home Secretary Douglas Hurd.

But Whitehall sources said that if anyone wished to buy, the freeport, it was a purely confidential trap.

Own Correspondent

action This is what the 1985 negotiations had been limited to. However, if anybody used it to circumvent international obligations, Britain would have to look into the matter.

They said there was no reason why wine, fruit and other products should not be shipped through the Manx freeport because there were no sanctions against such products.

The Independent report claimed that SA’s Industrial Development Corporation (IDC) had opened negotiations with Manx authorities, intending to ship SA goods to the island, change labels and then re-export to European Community (EC) countries.

It said the freeport, which is undeveloped, would be divided into plots leased by companies ultimately owned by SA, but traceable only to Switzerland.

One of those involved was quoted as saying, “The South Africans were taking a pragmatic view and looking ahead as the international situation worsened.”
Mauritius a magnet for SA entrepreneurs

Finance Staff

South African businessmen, beset by the sanctions spectre, are eyeing the magic of Mauritius as a way of opening up new export markets.

Representative of more than a hundred South African companies recently attended a seminar on investment and trade with Mauritius, indicating that the island paradise is being taken seriously as a manufacturing and trading base.

Another seminar in Cape Town this coming Friday has already had the same overwhelming response.

The basic advantages of Mauritius, says Mr Jean-Michel de Senneville, the country's trade representative in South Africa, are the cheap cost of an efficient labour force and the duty-free and quota-free access to the large EEC markets.

Prospective investors are also offered one of the best packages of incentives they can get anywhere, in exchange for their technical know-how and the cherry on the top is a Government which is doing everything in its power to stimulate the private sector in its effort to achieve the national industrial dream.

"We are going through a most exciting period," adds De Senneville, "with a 6.5 percent growth rate combined with a reducing 4.7 percent inflation rate, increased employment, more tourists and a surplus in our commercial balance in spite of an import liberalisation policy.

"Mauritius today prides itself on being the largest world exporter of woollen knitwear and to quote a member of the British Foreign Office who recently visited Mauritius "The island must be congratulated for its scandalous success!"}

South Africa and Mauritius are two neighbours who do complement each other in many areas and the tangible proof of that is firstly the 32.2 percent increase last year in South Africa's exports to Mauritius and secondly the increasing number of South African manufacturing facilities being established on the island which is an added bonus for South African exports of machinery and raw materials.

"Our role is obviously to facilitate this closer economic relationship which will be reinforced once again with our third South African investment trade mission to the island due to take place in the next few weeks."

Interested parties are welcome to contact the Mauritius Trade Office in Johannesburg for further information.
MD sees positive side of disinvestment

Pullouts ‘have aided entrepreneurship’

DISINVESTMENT of multinationals from SA had created a new breed of entrepreneurs, Information Trust Corporation (previously Dun & Bradstreet) MD Paul Edwards said.

"Managements of affected companies have, in most instances, leap at the opportunity to purchase productive assets at a fair value," he said in Johannesburg yesterday at the official launch of the new company.

SA ownership of foreign subsidiaries would result in foreign-currency savings because dividends and management fees would not be repatriated.

Many deals had also been structured to allow employees to participate in ownership.

Edwards said "Our employees will receive 25% of the company, based on their length of service and their level of grading."

"This has already had a positive impact on motivation and productivity, and will, in turn, create new wealth among employees who might never have had such an opportunity."

On the SA economy, Edwards said "The present upturn might just run out of steam unless government is prepared to act quickly and imaginatively."

"Bold action is required by government to rectify the imbalance between corporate and individual tax contributions."

"Bracket creep has ensured that contribution by personal income taxes, perks taxes and GST has increased from 24% in 1980 to more than 50% of the total contribution to State revenue."

Government’s expansionary fiscal policies, excessive pay hikes for civil servants and lack of control on spending in 1983 and 1984 had led to government applying the brakes too firmly in August 1984. Government now had to get the economy moving again without pushing inflation through the roof.

Sats unions in debate on new deal

A REVOLUTIONARY wage-bargaining system for Sats’ 11 unions will be discussed by the Federal Council of Sats Trade Unions at a meeting in Johannesburg today.

Until now, Sats unions have had to accept the same deal as the rest of the public sector. The recommendation that a labour council be established for railway workers has been made by a committee headed by labour expert Nic Wehahn.

The council would consist of representatives of the 11 unions and of Sats management. Federal Council chairman Jimmy Zurch said yesterday it would have powers similar to those granted to industrial councils. If the recommendation is accepted, the labour council would have final authority to determine the extent of pay rises and improvements to other service conditions, without reference to the Minister of Transport.
Zambia reassures SA firms

NDOLA — Zambian Prime Minister Kebby Musokotwane has reaffirmed support for economic sanctions against Pretoria, but said South African-owned companies had nothing to fear.

Speaking at a business seminar in the northern town of Ndola, he said Zambia welcomed investment and it was wrong to criticise a company because of its country of origin. — Sapa-Reuter
LONDON—De Beers is to set up a R100m industrial diamond plant in the Isle of Man freeport.

A deal to take up 2ha of the 9ha freeport would be concluded within the next few days, said Isle of Man Freeport Authority secretary Michael Taggart yesterday.

News of the plan has renewed speculation about a sanctions-busting deal between the Tyne and Wear (Isle of Man government) and the SA authorities.

Earlier this year, it was reported that talks had been held between senior members of the Tyne and Wear officials of the SA Industrial Development Corporation and the freeport as a centre for the import and export of goods to and from SA.

De Beers at first refused to comment on the deal, referring all questions to the Isle of Man authority, but later a De Beers spokesman in Johannesburg confirmed it.

Taggart said the De Beers deal had nothing to do with the talks between the Tyne and Wear officials who were concerned about the safety of the city.

"We only started talks with De Beers after that story had been published," he said.

Asked why the Isle of Man authority and not De Beers had released details of the new development, Taggart said it was to offset rumours.

"Rumours were going around that the starting of the plant here would result in the closing of an industrial diamond plant in Ireland." said.

"In fact, one newspaper told us it was going to publish such a story. Both De Beers and the Isle of Man authority felt it best to clear the air."

The statement released by the Isle of Man Freeport Authority was:

De Beers' sparkling secret is out

Man authority said De Beers was indirectly interested in three Manx-approved companies, Pemco Limited, Manx Cutting Tools Limited and Diamond Products Limited, which would produce diamonds to be used as cutting tools in industry, mining and high technology fields.

The UK government had been informed of the proposed venture and had raised no objection to development.

The move makes De Beers the first firm to take space on the 9ha freeport, which is intended to create jobs on the island.

The De Beers development is expected to create about 150 jobs.

Advantages of operating from the Isle of Man include the ability to import, process and export materials and products without any duties, sales or Value Added Tax costs. The island also offers an attractive fixed 20% tax rate.

Using the freeport will allow De Beers to import, process and export diamonds without VAT being paid or charged locally.

Another advantage is Manx corporation tax is pegged at 20%.
A platinum chain across the globe

Representatives of Johannesburg's Consolidated Investments, their counterparts from the Smelting and Platinum Trading Organization every May at the annual "platinum dinner" at the Savoy Hotel in London for the last 20 years, met at the same hotel last month to discuss facts unspoken about an industry, diverse and complex empire which spans five continents. (DH in Paris)

The Mineral and Resources Corporation (Minerals) — Anglo-American's major North American investment holding company — was started up on money "obtained from a loan to Consolidated" in Zurich after Independence in South Africa.

Contrary to the myth of the Oppenheimer Malawi link, the corporation has suffered several international investment disasters, blaming millions of dollars on development mistakes, particularly in North America. A major hit for Anglo, thanks to a go-go policy in 1962, was the loss of a manganese freighter and one of its highly sophisticated, updated vessels. The company has since claimed the loss of $100 million on its investments in the Malawi copper plant.

Despite the transatlantic jimboree, the latest Anglo still hopes to increase its share of South Africa's diamond market, a market worth $2 billion annually. The company has set up a new research and development center in South Africa to study the potential of the country's diamond reserves.

A controversial book by a group of British journalists, to be released in South Africa this month, takes a hard — and not always flattering — look at South Africa's largest corporate empire, Anglo-American.

Inside the private world of South Africa Inc.

PHILIP VAN NEEKERK

The image children in a hollowed-out log is a scene common in the villages of South Africa, where many employees work in mines.

Whistle-blowing employees have warned mine employees about the conditions they have to endure in the mines for years, according to the authors.

The English journalists have been the first to present public utterance of opposition to Anglo's policies, and in particular the Oppenheimer, as liberal opponents of apartheid.

The authors point out early on that the film industry has often been the only voice for change in South Africa, and that even in the face of government pressure, it has continued to produce films that speak out against apartheid.

The documentary is a powerful reminder of the struggle, and the courage, of those who have worked to bring about change in South Africa, and it is a testament to the enduring strength of the human spirit.
Clothing concerns dodge sanctions

SA-CLOTHING manufacturers are increasingly moving offshore to Mauritius to dodge sanctions and boost exports.

SA manufacturers already represent 10% of factories in Mauritius and this figure is expected to rise significantly as sanctions pressure increases.

Of the 420 foreign factories in Mauritius, about 40 are SA operations, mostly involved in textiles, clothing and footwear, said Mauritian trade representative Jean-Michel de Senneville.

National Clothing Manufacturers Federation vice-president Terence Kinneir said many of the main exporters who had operated from the homelands had moved to Mauritius, Tahiti, Lesotho, Swaziland or Botswana because US country of origin requirements had closed the market to SA-manufactured clothing.

Mauritius is a member of the EC in terms of the Lome Convention, which gives it access to the European market.

The country is particularly attractive for the labour-intensive clothing industry. With workers each being paid R54 a week, wages are about four times less than in SA and the homelands. Working hours are also longer.

Textile Manufacturers Federation executive director Stanley Schlagman said Mauritis had no duty on imported fabrics. So manufacturers could source raw materials from SA.

To promote foreign investment, corporate tax in Mauritius is 15%. There is no tax on dividends, which can be repatriated in full. De Senneville said.

See Page 2
Taiwan millions heading for SA

SOUTH AFRICA is well placed for a good bite at the Republic of China's foreign investment cherry.

Driven by its ballooning US$800-billion reserve, which threaten inflation which could rock social stability, the Government has scrapped many foreign-currency controls and is encouraging investment abroad.

From July 15, the ROC has allowed individuals and companies to move up to US$500-million each abroad. More can be sent out with the approval of the Central Bank of China.

**Incentives**

Johannesburg Stock Exchange president Tony Norton is in Taiwan talking about investment opportunities. A steady stream of Taiwanese entrepreneurs visits SA:

ReCs economic councillor in Johannesburg, Chu-ching Kan, says "SA's incentives are attractive than those in other countries — only US$60-million in 80 factories.

Many are small businesses, mainly in the homelands. Many have started up with a Taiwanese investment in the form of machinery, but they still need working capital. This problem has now been cleared.

Mr Kan says: "The new Taiwan dollar has appreciated by 30% against the US dollar in the past year. If it continues to do so our exports will be weakened."

**Reliant on US**

Last year the ROC ranked 14th in total world trade and 10th in exports. In the first half of 1987 its total trade increased by 49%. This year total trade is expected to top US$200-billion.

By Margaret de Paravicini

But the heavy reliance on US business and increasing protectionist legislation is adding to Taiwan's need to look elsewhere.

Although SA is Taiwan's biggest trading partner in Africa, 1987 two-way trade totalling US$46-million, it faces stiff competition.

Mr Kan says: "Many investors in the ROC are afraid of unrest in SA. They only see that affairs are stable and calm when they come here.

ROC industries in SA include clothing, footwear, plastics, electronics and information technology.

Garment manufacturers producing for export, most of them based in Ciskei, experienced difficulties after last October when US sanctions came into effect. However, a successful market shift has been made to Europe and Canada, says Mr Kan.

**Joint venture**

The giant China General Plastic Corporation recently sent a three-man team to SA to investigate investment possibilities.

Mr Kan says: "They found that the upstream products are now chiefly produced by Sasol, and mid-stream by ARCI. But the two companies have been unable to meet demand. And there have been discussions with ARCI about a joint venture."

Queenstown, between Ciskei and Transkei in the Eastern Cape, has approved a R10-million scheme to build a luxury "Chinatown" to house Taiwanese executives.

The backer, Hong Kong-registered U&C International Trading, hopes to start work in three months.

Three Taiwanese manufacturers have set up shop in Queenstown. If the project takes off, there could be 50 Taiwanese factories in Queenstown, a growth point qualifying for full decen-

**Similar**

Behind the Chinatown scheme is industrial development consultant Patrick Yen of Johannesburg-based Africasa Resources International, who has been involved in similar schemes in Florida and the Dominican Republic.

He says the ROC is promoting industries in Thailand, Malaysia, the Philippines, Indonesia and the Caribbean countries.

"Compared with South-East Asia and the Caribbean, SA provides a better investment environment.

"Advantages, apart from the financial aid, include stability and the economic structure SA is better than the US."

A major investment could be in the jewellery industry. About 16 Taiwanese jewellery manufacturers will attend a conference called by the Council for Coal and Minerals Technology on Tuesday to discuss opportunities.

"Taiwan's jewellery industry has expanded. It was worth more than US$1 billion last year. In five years, it will be one of the world's top 10 producers," says Mr Kan.

Mr Kan is optimistic about SA's economic future. "We do not agree with the politics of some countries in Eastern Europe, but we trade with them. The only country we do not do business with is Communist China, our traditional enemy."
Sol makes his own French (gaming) Connection

JOHN SPIRA

South African leisure industry magnate Sol Kerzner has pulled off a major international coup - a French gaming connection.

In a deal with a major French company whose shares are listed on the Paris Bourse, Mr Kerzner's group is set to acquire a significant slice of the French gaming industry.

Contacted in Monte Carlo yesterday by The Saturday Star, Mr Kerzner said much of the earnings generated from the new venture - and those should run into many millions of rand - would be funnelled through to South Africa via Kersaf, his group's top holding company.

The deal came about as a result of the relaxation of gaming laws in France, allowing for the operation of slot machines.

Mr Kerzner disclosed he had been working on the project for nearly a year and has now snatched the initiative from under the noses of several other international interests.

"We took a calculated risk by banking on a change in the legislation. It's paid off and we're absolutely delighted. The new laws take effect from the beginning of next year, at which stage we shall be ready to capitalise on the gaming boom which is bound to eventuate throughout France."

The joint venture with the French company is only part of a

Profits to come to SA

From Page 1

multi-faceted deal whereby Royale Resorts International, originally formed in mid-1966 as a 50/50 venture between British & Commonwealth Holdings (B & C) and Kersaf subsidiary Sun International Hotels (SIH), was reorganised to achieve a split of Royale Resorts hotel activities.

Under the new agreement, all resort hotel activities in Southern Africa and Mauritius will be grouped under an SIH subsidiary in which B & C will retain a 49 percent interest, while all the resort, hotel and gaming activities in Europe and elsewhere will be grouped under a B & C subsidiary in which SIH will retain a 49 percent interest.

Among the new interests falling under the Kerzner wing as a result of these transactions are three European hotels.

In addition to giving Kersaf a firm foothold in the French gaming market, the complex series of deals underlines the burgeoning nature of Mr Kerzner's international interests. And this could well be only the start of a blossoming global empire.
Sol hits double French casino jackpot

By Ian Smith

Sol Kerzner has hit a double jackpot in Europe.

He's scooped up a chain of top French resorts and casinos for his Bermuda-registered Royale Resorts International.

And a simultaneous change in French legislation which will allow slot machines to be introduced to French casinos for the first time promises a major boost to gaming earnings.

Royale was formed 4 years ago as a joint venture between his Sun Hotels International and the UK's British and Commonwealth Holdings.

Says Mr Kerzner, "All this opens up an exciting future for all leisure-related activities like resort development, entertainment and sport."

Those are the areas where Sun Hotels International has a wealth of experience.

Split

The new deal with B&C means Royale's hotel activities will be split to put all resort hotels in Southern Africa and Mauritius, under a Sun subsidiary, in which B&C will have a 49 percent interest.

All resort, hotel, and gaming interests in Europe and other parts of the world will fall under a B&C subsidiary, which will use the Royale name and in which Sun will have a 49 percent stake.

Meanwhile, Royale Resorts has concluded a deal with French hotel magnate Lucien Barrière to transfer some hotel and casino interests to a company listed on the París Bourse, Société des Hotels et Casino de Deauville (SHCD) in return for shares.

Control

SHCD already operates the Summer Casino of Deauville and the three top hotels in the city — the Normandy, the Royale and the Hotel de Gols as well as a 27-hole golf course.

In the new deal SHCD gains control of Le, Société Touristique, Thermal et Hôtelière de Deauville which operates the Grand Hotel, Hotel de Golf/Casino and Country Club with an 18-hole golf course at Deauville, La Société Anonyme du Casino de Trouville which operates the Trouville Casino, the Casino Municipal of Cannes and La Société Cannes Balnéaire SA which operates Palm Beach Casino complex in Cannes, and La Société d'Exploitation du Casino d'Hyères de Deauville which operates the Winter Casino of Deauville.

SHCD's strong financial base also ensures that it is in position to seize new opportunities, and a deal has already been agreed for it to take over a company owning the hotel and casino complex at Enghien, near Paris.

The new format SHCD, with Royale and Lucien Barrière each controlling about 38 percent of the enlarged group, will have strong capital base with a net asset value of about $240 million and almost no debt.

Mr Kerzner added: "The deal brings together two highly successful management teams complementary to each other, and opens up many new opportunities."

The original deal, he continued, was struck before the gaming laws were changed.

Sol moves to Europe for crack at French casinos

SOL KERZNER will spend most of his time overseas as chief executive of Royale Resorts International, the French gaming and resorts group in which Sun Hotels International has a 45% interest.

Kerzner has relinquished his post as group MD of Kerzaf and has been appointed deputy chairman. Kerzaf chairman Dick Goss said yesterday:

Kerzner will be seconded to British & Commonwealth Holdings (B&C), which holds 51% of Royale Resorts International (RRI), to spearhead Sun Hotels International's move into Europe.

Ian Heron, currently deputy MD becomes group MD, with Goss devoting more time to Kerzaf affairs.

Kerzner's move has been prompted by the rapidly expanding nature and complexity of the group's European operations, following the restructuring of RRI, which is now responsible for operating all gaming and hotel interests in Europe and elsewhere outside Southern Africa and Mauritius.

Kerzner says the move is in the best interests of the group as he was already spending 55% of the year in Europe on frequent and protracted visits. Now he will be spending 75% of his time overseas, but will return to SA every month.

Because of Kerzner's frequent overseas visits, Heron has assumed day-to-day responsibility of the group and is now well-equipped to maintain the momentum of the Southern African operations, says Kerzaf's board.

Goss will now spend 60% of his time backing up Heron in his larger responsibilities. The official statement says the board is committed to Kerzner's changes will enable the group to expand dynamically overseas without curtailing the high rate of growth within Southern Africa and to achieve its stated goal of becoming a major force in the international leisure industry.

Both Goss and Kerzner say they are confident the SA group's proven expertise in casino/resort development could revitalise the ageing French casinos, once the grand dames of Europe, and provide more jobs.

Both foresee an expansion into other European centres, which provide vast scope for modern development after languishing since the 1930s and 1940s.
Sol to look after European interests

By Sven Lunsche

Kersaf’s expansion into the European gaming and resort market has forced Sol Kerzner to relinquish his position as managing director of the group.

Kersaf chairman Dick Goss announced at a press conference yesterday that Mr. Kerzner is to become his deputy, and will now spend about 75 percent of his time in Europe, handling the group’s rapidly expanding interests in the area.

The move follows the recent restructuring of Royale Resorts International (RRI), which is now responsible for operating all the group’s gaming and hotel interests outside Southern Africa and Mauritius.

Kersaf recently became a subsidiary of British and Commonwealth Holdings, in which Sun Hotels International has a 49 percent interest.

However, Kersaf’s ventures into France have already been plagued with problems, as unions are apparently unwilling to work under a South African management team.

Mr. Kerzner admitted that there were “rumblings” from trade unions and others about the South African involvement in the new French casino set-up, but added “These reactions were not altogether unexpected. However, what has come across even stronger is an appreciation of the part in reviving the gaming industry in France, which has been going backwards in recent years.”

While there had been some negative reaction to the group’s moves in France and from some unions, “our people have met with committees of employees in each one of the operations involved, and the feedback has been very satisfactory.”

Mr. Kerzner, who said he would probably be spending a large proportion of his time in France while the group’s resorts were developed, added that he was also looking at the gaming scene in other countries in Europe.

“We focussed on Europe some years back because we per-
Casinos staff get dicey on SA links

PARIS — French casino workers yesterday demanded details of a planned sale of shares in famous gambling spots in Deauville and Cannes — after newspaper reports that they may go to South African interests.

"It is inadmissible that the casinos become dependent on funds from apartheid," the casino employees' union said in a statement.

Le Matin newspaper said that Mr Lucien Barriere, the majority owner of the Society of Hotels and Casinos in Deauville (SHCD) and of the public casino and Palm Beach Hotel in Cannes, planned to sell shares to British and Commonwealth Holdings.

The British company owns 51 percent of Royal Resorts International, a Bermuda-based holding company whose remaining 49 percent belongs to South Africa's casino and resort owner Mr Sol Kerzner.

But Mr Barriere, British and Commonwealth and Royal Resorts have denied any link between French and South African casinos.

"We have no connection, either direct or indirect," with South African financing, said SHCD managing director Mr Philippe Gazagne yesterday. — Reuter.

Putco deal still on ice

The Carleo family is not expected to reach a decision on the future of Putco, South Africa's largest bus operating company, until September 15.

That is the date of expiry of the first offer for the take-over of the 52.5 percent shares of the company by the South African Bus and Taxi Association (Sаба).

The Public Utility Transport Corporation yesterday denied reports it had reached final agreement with Sabta.

Mrs Cheryl Roxmouth, spokesman for Putco, said: "The deal has not been signed, sealed or delivered and is subject to certain conditions being met."
French workers angry at SA links in casinos

PARIS — French casino workers yesterday demanded details of a planned sale of shares in famous gambling spots in Deauville and Cannes, following newspaper reports that they may go to South African interests.

"It is inadmissible that the casinos become dependent on funds of apartheid," the casino employees' union said in a statement.

Le Matin newspaper said on Wednesday Lucien Barriere, majority owner of the Society of Hotels and Casinos in Deauville (SHUD) and of the public casino and Palm Beach hotel in Cannes, planned to sell shares to British and Commonwealth Holdings.

The British company owns 51% of Royal Resorts International, a Bermuda-based holding company whose remaining 49% belongs to Softkerzner Barriere, British and Commonwealth and Royal Resorts have denied any link between French and South African casinos.

"We have no connection, either direct or indirect," with South African financiers, SHCD MD Philippe Gasagne said yesterday.

He said Barriere would retain majority control of SHCD.

Sapa-Reuters
Aussie unions stymie Pick 'n Pay

MARSHALL WILSON

MELBOURNE — Raymond Ackerman's multimillion-dollar Pick'n Pay foray into the stark Australian consumer retailing landscape appears to have failed because of a trade union ban which limits further building expansion.

Popular with shoppers in the Brisbane suburb of Anzley, where Ackerman's sole branch turned over $50m in the first year and expects to top $70m in 1987-88, the concept has provided the impetus for rivals to hit back.

No less than 28 Super K Marts have mushroomed across the country since Ackerman first showed his hand three years ago.

"In 1982 the plumbers and gasfitters' union forced the downing of tools at Taylor's Lake on the outskirts of Melbourne, where a site was being prepared for a second Pick'n Pay store.

Backed by the Australian Council of Trade Unions which actively supports the Labour Government's ban on all contact with SA, the union has prevented Pick'n Pay from gaining ground.

While Pick'n Pay general manager in Australia, Peter Rice, described the union bans as biased and unfair. He said two-thirds of the Australian company is owned by the Lberman family in Melbourne, with only one third in the hands of Pick'n Pay.
The big leap abroad

While a TV quiz-show was receiving acres of media space last week, an exceptionally impressive business deal passed with little applause. Only a few gave the effort that went into the acquisition by Kersaf, with overseas partners, of a string of European casino resorts. At the best of times, casino licences anywhere are jealously guarded. As long as investors believed it would increase the cachet of the market, Kersaf shares languished at around R11 for most of 1986, before starting their climb this year to R18 a week ago.

Following news of its deal in France, investors pushed the share to a record high of R25, where it was trading on a hefty p/e ratio of 35 times. Good results are expected from the group next week, which could either reduce the p/e, or boost the price further.

The French deal is being directed through Royale Resorts International (RRI), formed originally as a 50:50 venture between the highly-regarded British & Commonwealth Holdings (B & C) and Sun Hotels International, Kersaf's UK-subordinate subsidiary. Under the new agreement, all hotel and resort activities in southern Africa and Mauritius will be grouped under Sun International, a management company of Sun Hotels International of which B & C will retain 49%. The southern African resort assets are held in Sun International but as separate investments of Sun Hotels International.

International casino/hotel interests will be grouped under B & C subsidiary RRI, of which Kersaf retains 49%. Kersaf MD Sol Kerzner declines to give details yet of RRI's future management structure. A major restructuring of RRI will be announced soon, he says. "At that time the management team will be revealed".

B & C will subscribe for an additional £27.5m equity in RRI, providing RRI with a capital base totalling £110m (R363m). Anyone pleased at the fact that B & C's stake in RRI declines by 1%, although it is taking up £27.5m additional RRI equity, must bear in mind the original terms of its deal with Sun Hotels International. The arrangement was that B & C would pay for its 50% stake in RRI by taking up two tranches of equity, the second, costing £27.5m, has now been taken up.

With its enlarged capital base, RRI will be positioned for the most important part of the deal, where the French assets of RRI are merged with the hotel/casino interests of hotel magnate Lucien Barriere. Their combined assets will be transferred into Societes des Hotels et Casino de Deauville, a company listed on the Paris Bourse, in exchange for shares in that company. Barriere now controls 56% of the equity, after the deal RRI and he will each have 38% of the listed company, and Barriere will remain president of SHCD.

SHCD operates the Summer Casino of Deauville, three prestigious hotels in that city and a golf course. It will acquire control of two more hotels and a casino and country club with 18-hole golf course in Dvonne (presently owned by RRI, which acquired it last year), as well as control of the Trouville casino (owned equally by RRI and Barriere), the world-renowned Palm Beach Casino complex in Cannes (owned jointly by Barriere and RRI), and the Winter Casino of Deauville.

However profitable those casino interests might have been, their result is as yet to be determined, given recent changes in gaming legislation in France, which has only recently allowed operation of slot machines. Most analysts of this industry believe that slot machines, occupying little space and relatively cheap to run, are the most profitable component of any casino. Trouville's RRI is into the French company were acquired, says Kerzner, before the changes in French legislation were made — which seems to suggest that at the time RRI struck excellent deals (with Divonne, for example) based on historic earnings (without slot machines) that were far below potential profit.

With net assets of R340m, a capitalised value of R500m, and no gearing, SHCD intends to revamp a number of existing resorts, as well as looking for acquisitions. Already agreement has been reached for the outright purchase of the company owning the hotel and casino complex at Engbrem.

In France the SHCD share price shot up from Fr2,900 to Fr3,600, when the announcement was made. While Kersaf has never been an easy share to assess, its local profitability, added to the currency hedge aspect it now has, places it firmly among the JSE's blue chips.

ALEX LIPWORTH

Filled with promise

The shares are looking quite attractive in the light of its intended role in the restructuring of holding company, Twns Propan (Twns). The 33% will be listed through a reverse takeover of cash shell, Forstik (formerly Triomp) Ever since, Lipworths currently at the R3.85, a level that still falls to take account of all implications of the deal with Twns.

Projected earnings of Twns have been forecast at 33c as at March 1988. Assuming Twns to be of the same magnitude and status as the blue chip Adcock Ingram — which chairman Solly Krook claims it is — Twns should trade at a prospective p/e of about 15 times, giving it a value of R4,950. In terms of the offer of nine Twns shares for 10 Lipworth shares, this would give the Lipworth share a value of R4.46 — a premium of 61c over the present trading price and R2.21 over the standby cash offer to minority.

Whether Twns' past growth record is as impressive as Adcock's will only become known when the transmuted listing statement is published. However, ignoring the R40m in adjusted tax losses inherited from Triomp, attributable earnings of about R30m in the year to end-March have been forecast compared to a potential R16.5m after-tax profit for Adcock (assuming 20% growth) Twns' turnover rose about 25% to R135m last year, and trading profit was R12.5m, with the year's forecast rise to R30m due largely to recent acquisitions.
The World So Built

KERSEY

[Handwritten notes and signatures]
national, Kersaf's UK-registered subsidiary.

RRI will inject into the listed French company, Sociétés Des Hotels et Casinos de Deauville (SHCD), various casino assets it acquired last year. These include a resort in Dijon and part ownership of the Palm Beach Casino in Cannes. In exchange RRI receives shares in SHCD to give it a 38% interest in the enlarged group.

With a market capitalised value of R500m, and no gearing, SHCD is to be the springboard for a Kersaf-B & C launch deep into the European casino market.

Kersaf is entering a French gaming industry which is in decline, suffering from neglect and lack of imagination. In Kerzner's view, the French casinos are too narrowly focused, relying on a small market of high-core gamblers.

"We do things very differently," he says. "We develop entertainment resorts aimed at a broad spectrum of people, while catering (through Saloon Prives, for example) for the serious gambler as well.

This is the strategy that worked so well at Sun City and other Kersaf resorts. The casino is a magnet, around it thrives an entire spin-off industry of hotels, restaurants and entertainment centres. It is in general entertainment, says Kerzner, where returns are highest, and with a programme of revamping, this is the direction the French casinos will take. As the new CE of RRI, Kerzner will be personally involved in this transformation.

But change has its enemies, as shown by a strike by French casino workers who feel threatened by recent amendments to French gambling laws which now allow the use of slot machines. The threat of mechanised gambling apparently caused the strike, although one union is using the Kersaf connection as an excuse for its actions. It certainly represents a vexing problem for the controlling shareholders of SHCD.

Kersaf has three distinct operating divisions, made up of local casino resorts, the Interlure entertainment group, and its offshore interests contained in RRI and elsewhere. It also has a 21% interest in Southern Sun - in recent years a disappointing performer, but still a group which holds a dominant share of the local hotel industry, and which has powerful backers.

The main resort casino assets are contained in two listed companies, Sun International Bophuthatswana (Sunbop) and Transkei Sun (Transsun). Combined turnover of Sunbop and Transsun in the year to end-June was R290m, equivalent to 46% of group turnover.

The resort subsidiaries have proved themselves recession-proof through one of the worst downturns in domestic hotel industry (see). More than that, by opening one successful resort after another, Kersaf has mastered the perception held until recently by most analysts, who felt the group had reached saturation with mammoth resorts in Sun City, the Wild Coast and elsewhere. Kerzner has always claimed, and has yet to be proven wrong, that each new resort opens up a new market in its immediate geographic area.

Profits advance

In its 1987 year, Sunbop lifted operating profits by 23% to R42.3m, while Transsun advanced 25% to R35.8m. During the same period, Kersaf did considerably better with 30% operating profit advance to R151m - an anomaly that must be understood in any assessment rating of Kersaf.

Apart from the profits it earns from resorts, cinemas and leisure activities, Kersaf has a growing base of fee income, earned through RRI and Sun International Management. Through these companies, the group earns fees for managing all local and certain overseas resorts.

Management fees are a material contributor to Kersaf earnings, estimated at over 20% of total income, and growing. Because fee income is low-risk, and based on gross as well as net income, this is the area of highest potential growth for Kersaf. It will also be far easier for Kersaf to conclude resort management agreements overseas than to acquire its own offshore resorts. The group is thought to be negotiating management contracts with resorts in Geneva and Turkey.

Locally, Kersaf has collected its restaurant, cinema and other interests into a group called Interlure. Inteurope made a spectacular debut on the JSE over this week, when it opened on a pre ratio of around 50 times With historic turnover at R155.6m and after-tax profits of R16.1m, Interlure's future performance is certainly material to Kersaf's results.

Kersaf is rapidly moving overseas, local operations will be overseen by Sir Heron, who becomes group MD. I suspect the culture might change slowly, allowing Heron's more participative style of leadership to come through.

Kerzner is a redoubtable, and explosively unpredictable manager, not above moving partially completed swimming pools on naval metres to a better spot. He alone, while with President South, virtually redefined the hotel industry in this country, lifting it to a level of excellence that could not easily have attained otherwise. Associates say he demands from all around him a performance that enters the realm of the superhuman. A senior Sun International (SI) executive once recounted how his arrived for the opening of a new resort, only to be placed in an empty, unpainted and unfurnished room, the floor still littered with piles of concrete. When he returned from an early lunch a few hours later, his room had been transformed into a luxury suite, spotless and with every frill in place.

It was in the late Sixties that SA Breweries (SAB) decided to back Kerzner's vision of a giant hotel group - international standing Southern Sun flourished under his direction, but in mid-1983 events starkly illustrated the investment dangers of backing a group whose fortunes are predicated on a single man. Premier group acquired some 34% of SAB, as part of a larger equity shuffle involving Liberty, Anglo American and...

What followed was a deal that still demonstrates Kerzner's personal standing in the industry. It was agreed that he should sell his 10% interest in Southern Sun to SAB at a price based on a p/e multiple of 12. At the same time, he was allowed to buy 31% of the Southern Sun casino interests — the most profitable part of the entire group — at a price based on a much lower p/e multiple.

Thus, the Kerzner-Goss partnership walked off with the crown jewels, to form SI. Later they acquired Rennes' Holiday Inn casino resorts, and SI became synonymous with casino resorts throughout southern Africa. But the new company's name hinted at aspirations that extended beyond the region.

The deal with Rennes was structured to allow Kerzner to control SI with a relatively small (18.75%) shareholding. However, Kerzner relinquished control in April 1985, and SAB became the lynchpin on which Kerzaf was again transformed. Safren sold its 100% interest in Holiday Inns (which many had thought would go to Kerzaf) to Southern Sun, and simultaneously sold to Kerzaf its 21% interest in Southern Sun, a 36% holding in SI, and various liquor interests.

In return, Kerzaf issued additional equity to Safren, allowing it for the first time to take technical control of Kerzaf, which in turn became the holding company of SI, with a 73% stake. Once Kerzner had decided to relinquish his thin controlling stake, both Kerzaf and SI were ready to expand rapidly, with paper acquisitions.

In 1986 the group began listing its resort interests. More recently, the bits and pieces acquired from Fedovks, and since further expanded, were listed under Interleisure Analysts who were bemused at the string of restaurant chains acquired now understand this to be part of a larger strategy of building an integrated leisure group.

Emerging from all this is the powerful Kerzaf conglomerate, combining high-growth local interests with the rand-hedge qualities inherent in a growing offshore portfolio.

At R24, the share trades on a p/e ratio of 29 times, a high rating that reflects the potential of a group which now has the shape and the muscle for even more rapid growth.
CANNES — Staff at the Palm Beach Casino in France have been on strike for three days over a deal they said would link the casino with an SA company. A CFDT trades union confederation spokesman said the strike was called in protest against Royale Resorts International (RRI) increasing its stake in the casino.

The spokesman said the union objected to the move because RRI was partly a subsidiary of SA group Kersaf Investments. Lucien Barriere was also reported as saying two weeks ago it would reduce its 56% holding in Societe des Hotels et Casinos de Deauville, which owns Palm Beach Casino, to 38% in an agreement with RRI.

NORMAN SHEPHERD reports RRI denied the casino would come under SA control, saying RRI was mostly British-owned. — Sapa-Reuters
Unions ban curbs chain in Australia

MELBOURNE — Mr Raymond Ackerman's multi-million dollar Pick'n Pay foray into the stark Australian consumer retailing landscape appears to have failed because of a trade union ban which limits further building expansion.

Popular with shoppers in the Brisbane suburb of Aspley, where the South African magnate's sole branch turned over $50 million in the first year and expects to top $70 million in 1987-88, the concept has provided the impetus for rivals to hit back.

No less than 28 superk marts have mushroomed across the country since Mr Ackerman first showed his hand three years ago, of which the Aspley branch was planned to be the forerunner of 10 similar outlets across the country.

But in 1985 the plumbers and gasfitters' union forced the downsizing of tools at Taylors Lake on the outskirts of Melbourne, where a 16-hectare site was being prepared for the construction of a second $35 million Pick'n Pay miracle.

Backed by the Australian Council of Trade Unions, which actively supports the Labour government's ban on all contact with South Africa, the union has prevented Pick'n Pay from gaining ground in a depressed economy well suited to enthusiastic marketing which the Ackerman chain does best.

Mr Peter Price, Pick'n Pay's general manager in Australia, described the union ban as biased and unfair.

He said two thirds of the Australian company is owned by the Liberman family in Melbourne, with only one third in the hands of Mr Ackerman's retailers which owns 12 hypermarkets and a range of other retail outlets in South Africa turning over $3 billion annually.

"One of four expatriate South Africans in the Brisbane store, of which all will return home by the end of 1988, Mr Rice said the chain had been at the forefront of corporate opposition to apartheid since it was formed in 1967.

"When Mr Ackerman started it was illegal for people of different colour to share can tees, toilet facilities or offices," Mr Rice said "But the company ignored all that from day one."

And while the plumbers' union acknowledged Mr Ackerman's 1985 role in joining 92 South African business executives who challenged Pretoria's apartheid laws, as well as recognising that 42 percent of his management staff in South Africa is not white, they sensed commercial undertones may have led to such pragmatism.

"The sacrifice by the chain is small compared with the benefit to the struggle against apartheid," a union official said.

Mr Rice admits the sacrifice has been massive, as well as frustrating in view of the quick growth of rivals geared to withstand the chain's slick onslaught.

One of the largest stores in Australia with 21,000 square metres of floor space, total staff of 600 and 78 check-out points, the Aspley Pick'n Pay has proved a winner with enthusiastic Brisbane shoppers able to buy everything from lingerie to live lobsters under one enormous roof.
Spending millions

Sun International (SI), SA’s big-league casino operator, is spending more than R210m on new hotels and refurbishments in southern Africa and Mauritius.

Topping the list is a new 150-room, R45m hotel to be built at the mouth of the Fish River in Ciskei. Final designs are being delayed as detailed environmental planning is still in progress. However, SI’s plan is to have it operational in time for the December 1988 season.

The casino will have 13 tables and about 100 slot machines, while sporting facilities will include an 18-hole golf course. Parking will be provided initially for 500 cars.

A new R30m hotel and casino is being built on the grounds of the country club at Umtata. It is due for completion in the middle of next year and will be a subsidiary of Transun. The club’s sporting facilities will be available to guests, and new facilities will be added.

Included in the R210m capex is the R20m that SI spends annually on maintenance, the virtually complete R70m expansion and refurbishment of its Transkeian jewel, the Wild Coast Sun (Business September 11) and R10m being spent on the Morula Sun, near Pretoria.

The decision to expand the Morula was taken on opening day in June when it became clear that it had been under-designed. The additions will be completed next month, doubling the casino, allowing the carpark to take 1300 cars instead of 300, and sporting a new la carte restaurant and larger service and administrative areas.

But even that may not be enough, says SI MD Ken Rosevar. “We are currently assessing whether more expansion will be needed,” he says.

Meanwhile the Royal Swazi Spa, which burnt down soon after it was refurbished, is being rebuilt at a cost of R15m.

“Being able to restart at grassroots, we took the opportunity to incorporate some new facilities,” says Rosevar. “The Planter’s Bar will be turned into an informal prawn and curry restaurant, while the old Gigi, a classic French restaurant, will be given a new feel. We have also upgraded the rooms and provided many new views.”

Another 30 rooms are being added to the Tonnaklo Hotel in Mauritius at a cost of R5m to cope with increased demand for accommodation. These will be completed in the first quarter of 1988, bringing the hotel’s complement to 160 rooms.

In Lesotho the Maseru Sun Cabana’s total refurbishment is almost complete, at a modest cost of R2m. A similar sum will be spent on adding 20 rooms to the Thabanchu Sun to cope with growing demand. These will be ready by June 1988.

Demand for accommodation at the Gaborone Sun has escalated dramatically since British Caledonian Airways started flying in twice a week. To cope, 44 new bedrooms and suites were built, while the old bedrooms and public areas were refurbished at a cost of R10m.

The SI board has also approved plans to build its fifth hotel in Swaziland. Rosevar’s not saying exactly where, only that he hopes construction will start next year. “It won’t be a big one, only about 60 rooms,” he says.
Joe Berardo signs R43m Taiwan deal

SOUTH AFRICA'S youngest mining house, Johannesburg Mining & Finance Corporation, has pulled off a foreign investment coup.

Spurning the traditional route to London or New York for new capital, chairman Joe Berardo and deputy chairman Donald Grant-Hodge have closed the placing of R25-million shares with major Taiwanese companies, bringing in R43-million.

Mr Berardo says: "We decided to look out for all the talk of disinvestment in our traditional capital markets. It would make sense for other SA companies to tap the Taiwanese market. The potential is enormous and the Taiwanese are anxious to invest in most raw material suppliers."

"We cannot speak too highly of the cooperation we had from all the parties to the deal. The basic details were tied up in a week in Taipei."

Board seats

JMFC, the first mining house to be listed since 1985, when it came to the boards last year, is about 25% owned by two major Taiwanese companies, which will have representation on the board.

JMFC will also be the first foreign company to be listed on the Taiwan Stock Exchange.

JSE president Tony Norton, who spoke to the Taiwanese securities industry about SA opportunities last August, said: "This deal would indicate that we represent real value because the Taiwanese are switched-on operators."

Mr Berardo, who says JMFC is on track to exceed its prospectus profit forecast, adds that negotiations are under way for a major SA institution to take a large holding in the company in return for results to December will be out next month.

US pressure

Two factors helped the deal go through smoothly. They were US pressure on Taipei to spread the benefits of its trade surplus of more than US$70 billion through foreign investment and the favourable rate offered by investment through the financial sector.

"The investors were also attracted by the fact that dividends will go out in commercial hands," says Mr Berardo.

JMFC decided to seek foreign investment when the restructuring of the group left the subsidiary mining holding company, Eglom, with a large stake in its parent.

Mr Berardo says: "We undertook to eliminate the cross-holding as soon as possible and decided to place the shares outside the group."

"We have concluded an agreement to place the shares with Taiwanese companies at 132c a share, close to the ruling price when negotiations started and the same price that we offered minorities when JMFC was reversed into Consolidated Granate."

The deal has wiped out the last cross-holding in JMFC, and it has injected cash into Eglom, equivalent to about 1,500 shares compared with the current price of 29c.

London listings

Mr Grant-Hodge says: "Our main objective in going to Taiwan was to sell alternative investors. We have three companies listed on the London Stock Exchange, but we wanted to break new ground."

Mr Grant-Hodge went to Taiwan with Mr Berardo last November.

"We were helped enormously by the Taiwanese Embassy here and by the South African Embassy in Taipei."

They received red-carpet treatment from officials.

They met the Minister of Finance, the Governor of the central bank, the president of the stock exchange and the chairman of Taiwan's Securities and Stock Exchange Commission.

"We had a great reception and officials went out of their way to smooth the formalities," says Mr Grant-Hodge.

Representatives of the Taiwanese investors visited JMFC operations before the deal was signed.

"They were impressed that we hold a high proportion of FFMC shares ourselves," says Mr Berardo. "They intend to become closely involved with the company." The new investment will also have trade advantages. One of the shareholders will provide two-year finance for its consumer products to be sold mainly to blacks through a retail chain in JMFC's industrial holding company, Sam Steele Holdings."
Sasol sales to US continue as it comes off blacklist.

HAMISH MCINDOE

SASOL LTD'S removal at the weekend from Washington's trade blacklist of SA parastatals will ensure the petro-chemical producer continues to be a major supplier to US companies of its petroleum by-products.

But Secunda-based Sasol 3 remains on the sanctions list on the grounds it is still paying off loans to the government.

Sale of Sasol products to the US was banned in November when the US State Department put both producers on its list of 156 companies that — in its view — were owned or subsidised by Pretoria.

Sasol, however, was considered to be an early candidate for review because it is a private company and was listed on the JSE eight years ago.

A company spokesman would not disclose yesterday Sasol's earnings from its US sales.

About five SA companies had been removed from the blacklist on the strength of their appeals to the State Department, a US Information Service spokesman said in Johannesburg yesterday.
Northern toeholds

Quietly, and despite the clamour for international sanctions against SA, Pretoria seems to be making small but significant inroads into black Africa.

In Equatorial Guinea, for example, there’s a South African-managed cattle farm and a South African-built hotel, the Pamafrika. And SA low-key involvement extends even further in countries like Cameroon, Senegal, and Morocco.

Predictably, however, it’s a subject on which a lot is best left unsaid. As Neil van Heerden, head of the Africa section of the Department of Foreign Affairs, explained in an interview with the FM recently: “If we talk about such projects, they die.” His reference was to the Organisation of African Unity’s (OAU) strong official anti-SA posture, and the pressure this puts on members to maintain distance from SA.

Nevertheless, the department is following the foreign affairs guidelines laid down by its former and longest-serving director general, Braam Fourie. It holds that “the route to SA’s international acceptance lies through Africa.”

Says Van Heerden, “We have to make our bed in Africa, with the hope of eventual political dialogue...” So Africa is, in a sense, the judge.” He explains that his department has been “trying to cultivate” those African states that are “less diligent” about sticking to OAU structures on SA. He finds the English-speaking African bloc more receptive than French-speaking or Arab states.

“We hope that by talking to individual members we can influence them away from the biased view of the OAU,” he adds.

“We admit our problems, but say to black Africa, you can help the African countries to overcome them. With that in mind, we go in to Africa to win friends and influence people.

“At times we follow the trade route (to gain political influence), although the fact is that African countries are not strong trading partners. But there is a market.

“The other channel is to offer our Africanised technical expertise to build bridges. So in low-level but substantial aid projects we do it — whether it be farming in central and west Africa, combating mosquitoes or building dams. Those are things we are able to do, and we do them,” he concludes.
year Bibby accounted US earnings at an average of US$1.48. The latest six-months' figure was $1.77, a fall of 16% in sterling terms. So while the problematical packaging division actually improved its dollar earnings, the sterling level was 8% down. To that was added a slump in the security printing operation of Intercheck, acquired in December 1986. It failed to meet expectations from the start, but in the half-year trading profits slumped by 85% to £147,000.

The good news is that Bibby is about to get shot of Princeton, the US packaging group (acquired from Barlow Rand for $24m in 1984), and Intercheck. The sale of Princeton was blocked by the US authorities for monopolistic considerations after Bibby had agreed a $130m deal. Now Princeton is being sold — subject to statutory approvals — to its management. Bibby chairman Richard Mansell-Jones told the PM: "The price is not final but it will be at a premium to net asset value. We hope the deal will be finally negotiated by the end of May and completed by the end of July."

Intercheck, the cheque printing business, is being sold for $40m, a profit of $3.5m on the purchase price 17 months ago. Mansell-Jones, however, says the capital gain will be considerably higher because Bibby hedged its position forward against sterling.

On balance the group is looking for a better second half, especially as the two major disposals impact on the balance sheet, which will be "in extremely good shape." But Mansell-Jones is wary of forecasts because the real effect of the reshaping of the agriculture divisions and of the new acquisitions will not produce real benefits until next year.

Meanwhile, with EPS down 14% at 5.62p, the interim dividend of 2.75p is maintained. For Barlow, the current market capitalisation of £181m for Bibby compares westfully with a level nearly twice as high when it bought the UK group. So, too, does the historic p/e of 7.8. Barlow rated Bibby on a multiple of 20 back in 1984.

John Cavill
Anglo goes for gold in Brazil

ANGLO AMERICAN is set to become the controlling shareholder in a new gold mine in Brazil, which could become the third largest in the country.

The new complex, Serra Grande, in central north Brazil, is a 50/50 venture between Morro Velho, the local Anglo affiliate, together with the Roux-Rouzimonsen group and Canada's Inco Ltd, the world's largest nickel producer.

The new complex is expected to produce more than three tons of gold a year from 1999. Known reserves total 70 tons with a grade of 19-11 grams a ton, considered to be above average.

Pre-operational investment are estimated to total $70 million.

Anglo American, already Brazil's second largest foreign investor in the mining sector and is rapidly, through Morro Velho, establishing itself as one of the most important gold producers here.

Anglo American do Brasil is linked to Anglo American Corporation of SA through Meadows Investments in Liberia, which is 100% owned by AAC.

Other South American interests of the group are secured through Minerals Resources Corporation, registered in the Bermudas.

The Serra Grande complex, Brazil's latest gold ore reserve field, is situated near Crissas in the north of the Goias State.

The area might soon be declared a separate new federal state under the name of Tocantins.

Inco discovered the gold deposits in 1974, through its subsidiary Minereral. In 1983, the group negotiated an option to participate in a 50/50 basis with the US' Kennecot Co which is controlled through Standard Oil by British Petroleum.

But in 1987 the Anglo American-Rouzimonsen group through Morro Velho made an offer for the option to participate, attracted by the promising reserves.

Their condition that they had to have the majority of controlling stock through voting shares, and that Morro Velho was to be the operator, was accepted.

Results have so far been promising and $10 million was invested to June, with a total of $34 million scheduled by the end of the year.

Another $25 million will be invested next year.

The most promising finds so far come from Misse No 2, where drilling has hit 500 metres. Galleries of five kilometres have been built at the 150-metre level to prepare for production.

Serra Grande vice president, Lui de Castro, says that at full capacity of 55 000 tons of ore a year the complex could well produce up to 3.5 tons of gold a year.

He confirmed that the company is continuing to explore neighbouring areas, such as Minas Novas where it is estimated that there are reserves of 528 000 tons of ore of good grade to be mined.

The South American manager of Inco, Gold Company and director president of Inco's Brazilian affiliate Minereral, Mr Stephen Sophier, says he believes the Serra Grande development is of significant importance to Inco.

No official of Anglo American do Brasil was available to comment. Anglo American chairman, Gavin Reilly, the head of the gold division, Peter Gush and his two managing directors could not be reached in Johannesburg.

But last year investments were hesitant and Brazil increased gold output from 67.4 tons to about 80 tons, consolidating its fifth place in world rankings.
Details of the Minorco offer

By Ann Croissy

Yesterday's announcement by Anglo-American's international arm, Minorco, that it was offering £13.66 a share for the 71 percent of Consolid gold which it did not already hold, values the whole of Consolid gold at about £2.9 billion.

At the stage the most significant aspects of the deal are the proposed sale of Consolid's 38 percent stake in Gold Fields SA, and the likely increase in Consolid's stake in Newmont to about 58 percent.

Minorco is offering £19 in cash and one new Minorco share for every two Consolid shares held. According to Minorco's management, the offer gives Consolid shareholders substantial benefits as it represents an increase in capital value of 20.4 percent over the middle market quotation of Consolid shares at the close of business on September 20.

In Minorco's opinion this level already reflects a significant speculative premium.

The deal represents a major change in the operating strategy of Minorco. Previously the group operated as an investment manager, it is now set to become a hands-on operational group.

According to an official statement Minorco will apply its principles of lean central staff and decisive asset management to the management of Consolid and the remainder of its own portfolio, redeploying low-yielding or passive investments to maximise shareholder value.

Management has stated that in future Minorco will not normally hold minority stakes unless they have strategic relevance or unless Minorco is able to participate actively in management.

For this reason management has planned changes in Consolid's holding in GFS SA and Newmont.

Referring to the former, the statement notes "On the conclusion of a successful bid, Minorco will immediately start negotiations to dispose of GFS SA's assets Consolid's 38 percent passive investment in GFS SA will be sold in accordance with agreement between Consolid and the Rembrandt Group which gave the Rembrandt Group certain rights of first refusal over some 80 percent of these shares and which could well facilitate the continued independence of GFS SA within South Africa."

"Minorco will review Consolid's 49.3 percent passive investment in Newmont with Newmont's board and management and will consider whether to reduce the holding and re-deploy such proceeds more effectively within the enlarged group."

"While Newmont is the largest North American gold producer and its long-term prospects are considered to be attractive, it is effectively a portfolio investment and Minorco is constrained by a long-term standstill agreement from exercising any reasonable degree of control over it for many years."

In order to implement Minorco's more active policy, the management of the Minorco group has been strengthened "Sir Michael Edmards, a director of Minorco since 1984, has been appointed deputy chairman and chief executive of Minorco and also succeeds Julian Ogilvie Thompson as chairman of its executive committee."

Sir Michael will be supported by three full-time executive directors responsible for North American affairs, a group financial director and a commercial director.

Minorco has stated that it will immediately reduce Consolid's central overheads so that the overheads of the enlarged group will be significantly less than Consolid's current overheads.

Minorco is confident that the enlarged group will have both the management and financial resources to improve the quality of its earnings, enhance its growth prospects and put into effect Minorco's strategic changes in direction.

In addition, it is expected that following the acquisition, which is being financed partly by the issue of new shares, there will be a broader international market in the shares of Minorco.

Controlling shareholders Anglo-American and De Beers have stated that "in today's climate Minorco can best grow and prosper as an international company if it is properly independent. Anglo-American and De Beers will not therefore seek to play any role in the day to day affairs of Minorco."

If the offer is accepted, the interests of Anglo-American and De Beers in the enlarged voting share capital of Minorco will be reduced from the current levels of 39.1 percent and 21 percent to 26.6 percent and 14.3 percent respectively.

In September 1987 Minorco announced that its policy was to expand progressively, the range of its activities into the ownership and operation of resource-based assets and to move away from acquiring minority passive investments.

In accordance with this policy, Minorco disposed of its holdings in Salomon and Anglo American Investment Trust for more than $850 million of which some $800 million is currently held in liquid form pending investment.
Anglo in row over bid for Consolidated Gold

By Sven Lamsche and Neil Behrman

Anglo American's battle for control of UK-based Consolidated Gold Fields has sparked a political and financial row that could lead to a long and bitter battle over Britain's biggest mining company.

After leaks that began in Johannesburg and Switzerland, and could set British regulators on to the track of insider traders, Anglo, through its international investment arm Minorco, launched a record UK bid of nearly £1 billion (R12 billion) for Britain's leading mining company.

Yet the real political flak is expected to come from the US and UK, because of Minorco's South African connections.

The Minorco bid, spearheaded by the company's South African-born deputy chairman and chief executive, Sir Michael Edwardes, is aimed at buying up the 71 per cent of Consold which it does not already own.

Consold, which has been the subject of take-over rumours in recent years, immediately snubbed the bid, saying it "lacked financial justification and is devoid of commercial logic".

London analysts believe the bid is the first step in a grand strategy of Anglo American and the Oppenheimer dynasty to build up an international empire that could ultimately involve De Beers' huge operation controlled from London.

The company is also endeavouring to counter sanctions, they said.

Sixty percent of the world's gold is mined in South Africa. The acquisition would raise South African control to about 70 percent of the non-communist world's production, analysts said.

The Evening Standard in London said yesterday that the Minorco move had started a row over £100 million (R30 million) profits made by speculators in early share trading on Consold.

It said Minorco had already made a formal request for a full London Stock Exchange (LSE) inquiry into recent share dealings in Consold shares.

At a press conference, Sir Michael Edwardes insisted that Minorco, a Luxembourg-based company, would be independent of Anglo American.

Sir Michael also said Minorco planned to dispose of Consold's extensive interests in South Africa if the bid succeeded. He said it would negotiate to sell its 38 percent stake in Gold Fields of South Africa to the Rembrandt Group.

See Pages 11, 12 and 13.
Hostile £2.9-bn bid for Consgold

Minorco gets rebuffed but the fight is on

By Ann Croft

The Minorco bid for the 71 percent of Consolidated Goldfields that it does not already hold looks set to become one of the most controversial take-over battles yet seen in London.

Within hours of the announcement of the deal, Consgold management stated that it was opposed to the bid and, suggestions of insider-trading were emerging in London on the back of the massive trade seen in Consgold shares and options over the past week.

Minorco is valuing a Consgold share at £13.06 and is offering £19 in cash and one new Minorco share for every two Consgold shares held. On the JSE the share reached a high of £20.06 reflecting the market's belief that Minorco would have to sweeten its offer if it wants to succeed.

This sentiment was mirrored on the JSE where Consgold gained R17.78 to close at R93 which is the financial rand conversion of the peak London price. But significantly, before London's close Consgold had eased back to £13.68.

While Anglo American and De Beers appear to be trying to reduce the perception of Minorco as a South African controlled group (their combined holdings in the enlarged Minorco will drop from 69.3 percent to 40.9 percent), overseas analysts and media seem to be stressing the SA link. This link is likely to be used extensively in the Consgold management fight against the bid.

Local analysts seem confident that this time around Minorco will be successful — in 1981 Minorco launched an unsuccessful attack on Consgold. Success for Minorco appears to be all the more crucial this time in view of market talk that the decision led to some dissonance within the Anglo camp.

Analysts report that Minorco has access to an additional 5 percent of Consgold through the earlier purchase of Consgold options. In addition it is felt that Minorco would have canvassed other major shareholders and attempted to ensure sufficient tacit support for their move.

Minorco has stated that it will sell off Consgold's 38 percent stake in Gold Fields SA which is estimated to be worth around R1.8 billion. This will help to fund the deal and will also avoid possible political problems stemming from Anglo's otherwise major dominance in the SA gold industry.

At present it looks as though Rembrandt will be picking up the bulk of this disinvestment which seems set to put major downward pressure on the financial rand.

There is considerable uncertainty as to Minorco's plans for Newmont. Overseas analysts believe that US-based Newmont will have to be sold off because of political pressures but local analysts feel that Newmont is the major attraction in the deal and that Consgold stake will be increased to above 50 percent in order to give it operational control.

Consgold management has opposed the deal on the grounds that it is "devoid of commercial logic." This may be the case if anti-SA sentiment prevented a Minorco controlled Consgold from implementing its new aggressive operating strategy. But at this stage local analysts see considerable benefits in the deal and believe that it will significantly enhance both Consgold and Minorco's earnings capacity.

Minorco's American interests could be combined within Cons gold and Newmont's interests to form a dominant American gold and base metal group. There would be similar synergistic scope in the enlarged Minorco's interests in South America and Australia.